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The Magazine of Wall Street

July 27th 1929

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By Theodore M. Knappen

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BY
William Knodel

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WITH THE EDITORS

Interlocking Markets

THE stock market is commonly referred to as being increasingly selective and it is true that the list moves less and less as a flock of sheep following one or more chosen leaders. This is not to say, however, that group movements, composed of the stocks in the same industry are less common; or that the movement in one group, inspired by some important and far-reaching industrial development, may not decisively affect the behavior of other groups. On the contrary, certain types of bullish or bearish news tend only to emphasize the related character and community of interests of certain stock groups.

This latter principle was graphically illustrated when the price of wheat reached a new low post war level some weeks ago. The falling price level in the great staple of the west was contemporaneous with marked declines in stocks representing at least six widely different industries whose prospects would be subject to adverse reactions from a small return on the harvests in the wheat belt.

Agricultural implement stocks were the first to decline on the contention that lessened purchasing power among the farmers meant decreased sale in farm equipment. For the same reason weakness was manifest in fertilizer issues. Numerous motor car stocks declined on the same assumption of prospective forshortened markets as did the mail order stocks. Baking stocks, on the other hand, sold off on the probability of inventory losses. Heavy stocks of flour on hand would naturally be subject to drastic revision in value with the decline of the price of wheat and the consequent lowering in the value of flour.

The reverse of this whole picture was as dramatically demonstrated within the short space of two days. On the proposal to utilize Federal funds, under the new farm relief legislation, to stabilize the price of wheat, the price of the staple staged a sensational recovery, establishing itself over the dollar level once more and following through for one of the most spectacular wheat movements since the War. Immediately the same industrial stock groups associated with the decline almost without exception began a concurrent up-trend.

Thus we have a complete example of the integration of certain portions of the market and the close relationship, insofar as sympathetic price movements is concerned, between great stock groups. Perhaps more than anything else this emphasizes to the investor the need for keeping posted not only on all phases of the affairs of the companies in which he is interested, but in the industry and in the general business, industrial and economic trend.

Features of Importance In the Next Issue

Dividend Prospects for Leading Stocks

Part I—Rails, Public Utilities and miscellaneous Equipment stocks will appear in the August 10th issue.

What are probabilities of dividend changes in the stocks you are holding or intend to buy? In the above groups, a number of important dividend changes are likely to be made in the final six months of the year. They will be indicated in the comment on each individual stock covered.

In addition, over 100 stocks will be rated for their market prospects in this feature.

Will Interests of American Manufacturers Abroad Bring Clamor for Reduced Tariff?

The second article in a series of special features of international importance. A dramatic story of American business divided against itself on important economic and political issues is told; also the invasion of American industrial territory by foreign interests. Don't miss it!

What Part Does Good Will and Advertising Play in Security Values?

Something for the investor to think about in this present era of high stock values. This article will appear in the next issue.

Down on the old Plantation - How Things Have Changed!

If the Southern planter of a hundred years ago could come back and see what is being done in the same fields that were the pride of his youth, he would get a lot of surprises.

The old methods of raising sugar cane went very well for several generations. Then, rising costs of operation and decreasing yields of cane, due to various factors, brought about a condition in which many planters were forced out of business and others operated with difficulty.

Something drastic had to be done. Meetings of planters, bankers, and business men were held. It was decided to enlist the aid of science. Sugar experts looked for new cane stocks that would resist disease and produce more sugar, and these were found in the so-called "P. O. J." canes. Business men accustomed to problems of production studied planting and sugar grinding methods to make them accord with the best modern principles.

The result is that today the sugar industry in Louisiana is in better condition than ever before. Machines have been substituted for much hand and animal labor. Tractors are hauling trains of cane cars. The grinding process has been made more direct and simple. The bagasse, or shredded cane fibre remaining after the sugar is extracted, formerly waste, is now a valuable material used for making Celotex insulation and other building products. The cane sugar industry has been modernized at both ends and in the middle, and is today healthy and full of promise. The part played by the Dahlberg Companies in these changes is told in an illustrated booklet, sent upon request.

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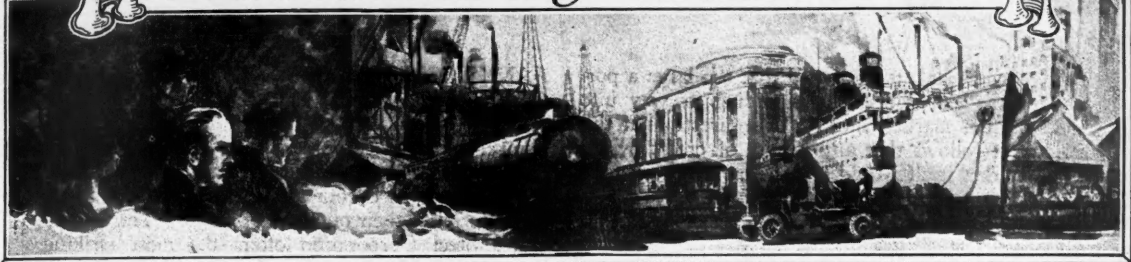


INVESTMENT & BUSINESS TREND

France Pays—Wheat to the Rescue—The Gold Base Restored—Record Breaking Activity—Aviation Consolidations—Banks Sell Billion of Investments—The Market Prospect

FRANCE PAYS

FRANCE will pay—so it seems as this is written. Honor and policy united to demand ratification of the Mellon-Berenger agreement discounting and funding the French war debt to the government of the United States. Committed to that agreement France is bound to agree to the Young plan of liquidating the reparations problem—for she will need the money. Narrowly viewed there is no reason why France's honoring or repudiating her debt to the United States should have any effect on current world business. In fact, though, the final decision of France to take up the burden of a tremendous debt that she had hoped would be cancelled is of profound moral effect. It is the final victory of France in the World War. Unconquered in arms by her ancient foe across the Rhine, she is now victorious over debt. All the world of business will feel stronger and safer because of this final victory. Every bond is more of a bond, every international obligation more of an obligation because France has honored her notes. The ratification of the Mellon-Berenger agreement is a final proclamation that the world's greatest war was not great enough to wreck the structure of the modern world's business confidence—the foundation of credit, and, therefore, of property.

WHEAT TO THE RESCUE

TWO months ago wheat was the despicable villain of the economic drama. It was intent upon the ruin of prosperity. Hopeless itself, it was dragging all the West down with it and giving the whole country a list toward despondency. Now the villain becomes the hero. It is wheat to the rescue. High prices for wheat, other grains following the leader, makes the nation smile. The poultry crop is always worth more than the wheat crop, but nobody measures prosperity in terms of eggs and broilers. Wheat is emblematic—so much so that it is sometimes more influential than it should be. It's like a barometer; it may be faulty but it is accepted. A few weeks ago wheat "registered" pessimism, now it signals optimism. We rejoice because we have less wheat than we thought we had! The estimated production for the United States is off a tenth, but the price of the remaining nine-tenths is up a third—a lesson for the new Farm Board in the price potencies of surpluses. Here's hoping that the Board may some day be as potent as the weather, but in the meantime we give thanks to the weather—bad crop weather! Think of trying to regulate a business that prospers when it fails, that makes money when it has bad luck.

THE GOLD BASE RESTORED

THE gold reserves of the twelve Federal Reserve banks again hover close to the three billion mark. If the gold import movement of the past few months continues, the system will gain a gold reserve position to compare only with 1924. Department of Commerce figures show that we have gained close to 200 million dollars' worth of gold as the balance in our favor resulting from all gold engagements both ways during the first half of the year. The fact that our credit base has been enlarged to greater proportions than existed at any period throughout 1928, and is now approaching the strongest gold position recorded in 1927, accounts in a large measure for the comparative ease with which the money markets met the task imposed on them at the middle of the

year. Some bankers now hold that too large a portion of the enlarged credit is finding its way into the securities markets directly or indirectly. If this is true, it follows that any release of credit by the stock market itself would put the money markets in a rather generously supplied condition.

RECORD BREAKING ACTIVITY

A RECENT survey shows that twenty-five prominent industries established a new record for trade activity during the first six months of the current year. The criterion in this instance was the volume of business—the findings consequently were uniformly favorable. But certain qualifications are in order. Even the oil men who produce low priced crude oil and manufacture it into refined products within restrained profit margins have no complaint as to the volume they handle. Automobile makers, skillfully cutting down costs to operate in a highly competitive market, have been producing and shipping more cars than ever before. So the question resolves itself to this: are these twenty-five industries making profits commensurate to the volume of business handled? Here the results are not quite so uniform; most of the leading industries are—some are not. Even within the favored industries, the tendency is for the dominant units and the larger corporations to get the lion's share of the profits. Interpretations of surveys on business activity must be tempered with this knowledge. Then we can afford to view the business outlook as encouraging, for after all it is real purchasing power of a prosperous country that sustains this record breaking industrial activity.

AVIATION CONSOLIDATIONS

FORMATION of the new 70 million dollar aviation corporation by the combination of the two leaders of the industry, Wright and Curtiss, is of dual significance. It may conceivably provide the nucleus of a really great corporation which will be to the airplane what General Motors is to the automobile industry. But more important still it signalizes an important and salutary trend toward concentration and solidification, with the prospective elimination of the weaker units so salutary in any new industry which has grown as rapidly as has the business of manufacturing airplanes and commercial flying. Expansion and growth is desirable in any line of endeavor but when these processes are too greatly accelerated there is the danger of developing in disproportion to the demands of existing markets. Mushroom growth is destined to produce weak units whose insufficient backing or weak management makes them unable to withstand even the first stages of any industrial adversity. It is only by purging itself of these less substantial members that a new industry can establish itself on a truly sound foundation.

BANKS SELL BILLION OF INVESTMENTS

MUCH publicity is given to the fact that a number of large corporations which have recently engaged in common stock financing through the issuance of rights or otherwise are now using these funds to retire their outstanding bonds. The United States Steel Corporation offers the most striking example in its program to retire more than 300 million dollars of its bonds this year. The implication carried in a good deal of this comment is that the retirement of such large amounts of bonds will create a scarcity value for fixed income securities. So far the bond market has showed not the slightest sign of any such scarcity but here again we must look further into the matter to reconcile divergent points of view as to the outlook for bond values. The liquidation of the bond holdings of the banks has been an important factor in the unsatisfactory state of the bond market during the past twelve months or so. During this period, the reporting member banks have sold something in excess of 600 million dollars' worth of their investments. In addition, the Federal Reserve Banks have liquidated about 400 dollars' worth of Government bonds in line with their policy of credit restriction. All told, the bond market has been forced to absorb therefore over a billion dollars' worth of selling, over and above the offerings of new securities.

THE MARKET PROSPECT

STIMULATED by U. S. Steel's fresh advance above the 200 level and by conspicuous strength in the rail shares, the market continued its upward movement. The advance has retained the essential characteristics that distinguished the bull movement throughout the greater part of the last two months. Unseasoned issues and stocks having poorly defined prospects are having difficulty in holding their own. The rise continues to be confined to the higher grade dividend payers in both rail and industrial groups. Evidently, the high cost of credit is discouraging to purely speculative operations. While public interest has increased, the outside following is clearly disposed to direct its attention to those stocks whose prospects are clear and whose earnings prospects for the balance of the year justify investment favor. New lows among the motors and numerous specialties, as well as the softness of copper stocks have tended to heighten the importance of economic forces as the primary factor influencing the current stock market cycle. Emotional buying and pure manipulation have lost a good deal of the force that these influences possessed earlier in the year. Technically, the market as a whole appears somewhat weaker. Caution should be increased, but, at the same time, this does not preclude the advisability of making new commitments in carefully selected investment stocks.

Monday, July 22nd, 1929.

Planting American Industrial Colonies Throughout the World

Migration of American Factories Follows Quest for New Markets—Foreign Trade, Labor and Capital Markets Affected by Penetration of Our Industries in Europe.

By Theodore M. Knappen

THE other day a jute-consuming plant was moved from Ludlow, Maine, to a town in India. Its product will come back to this country in place of the raw material; high-standard white men are "out" of jobs in Ludlow and 30-cent-a-day brown men are "in" them in India.

Over in Germany is an American built and owned hardware factory employing 600 men. When the wheels of that plant began to turn, those of the original plant in the United States stopped correspondingly. The foreign trade in goods produced by that plant and 600 men is now entirely supplied from Germany.

It is estimated that there are 2,000 branch or independent American factories abroad, and scarcely a day goes by without the chronicling of at least one more. Never has there been such a migration of industry. What does it portend to the world and to the United States?

Giving free rein to fancy, one might detect in this huge migration of factories an industrial analogy to the social and political consequences of the invasion and conquest of the Roman Empire by the Teutonic hordes. Rome fell before them but in the backwash the homelands of the invaders were Latinized and the Roman pontiff became the virtual ruler of Europe. Perhaps there are now being put in course forces that, working first for the American industrialization of Europe, may eventually result in the Europeanization of America. In becoming the world's greatest creditor nation we may become less and less its workshop and more and more its banking house; the scissors of our investors may be endlessly clicking as they cut coupons for interest from far lands and their bank accounts may swell with foreign-earned dividends, whilst jobs at home grow scarce and poorly paid.

Of the magnitude of the American industrial invasion of the foreign

Migration of industry to foreign lands is a bitter pill for domestic labor in its immediate effect but may also have a constructive influence by eliminating the "menace" of cheap labor and lower living standards abroad.

world there can be no doubt, although reliable statistics regarding it are singularly lacking. We have more knowledge concerning the amount of American capital that goes into industrial projects abroad that are American controlled and managed than we have of the number of American branch or independent plants, and of the amount of capital they represent but it is far from accurate. No count has ever been made of American factories abroad. We do not even know how many there are in neighboring Canada. The number in that country is estimated at between 750 and 1,000, and is probably equal to the number of American plants in all the rest of the world. We know from the daily news of business that the number of American plants abroad is rapidly increasing. We know that such plants represent practically all the great American corporations that are extensively interested in foreign markets, and many smaller ones.

Prospecting In Europe

Of late, the tendency of American capital prospecting abroad is to build its own industrial plants or buy control if not outright ownership of existing plants, rather than to invest in the bonds of foreign companies; and when securities of foreign companies are purchased by individual investors the preference appears to be for equities instead of loans.

The total amount of American money in the stocks and bonds of European manufacturing companies is between $300,000,000 and $400,000,000; an amount already exceeded by the direct investment in American branch or controlled plants, which is put at something over $500,000,000. The total American investment in Canadian manufacturing enterprises, mostly American owned or controlled is $1,100,000,000. Latin America has another billion of American industrial money; and the rest of the world $500,000,000. About $3,500,000,000 of American money broad is thus competing, in some sense, with domestic investments.

The direct and indirect investment of American capital in foreign industries does not tell the whole tale of the potential competition among ourselves that we are rapidly building up. Our industrial machinery exports are just as certainly strengthening our competitors as our money and the technical and managerial skill that goes with it. We are sending abroad annually a quarter of a billion dollars' worth of machines to equip and modernize foreign factories—thus increasing their productivity and their competitive power. The exportation of American shoe making machinery, for example has already virtually eliminated shoe exports to Argentina, Mexico and Cuba; and American textile machinery in South America, the Orient and elsewhere is as surely displacing American textiles as it is increasing.

At first glance it would seem as if the exportation of American factories would just as inevitably result in the decrease of American exports of goods as that two from four leaves two. Limiting the study to specific products and particular countries it does work out as convincingly as that simple problem in mathematics. Take the Palmolive Company, for example, which has recently opened a branch factory in France, after having previously established such branches in Sweden and Germany. The French factory immediately took over the entire Palmolive business in France, which had previously been supplied by imports from the American factories. American soap exports were certainly reduced by that much.

Undoubtedly, every time an American firm opens a branch factory in Canada and turns the Canadian business over to it that firm's exports to Canada are curtailed. And what is true in Canada and France is true all over the world. Moreover, the foreign branch frequently supplies the demand for the particular goods in other countries than the one in which it is located, thus further curtailing the exports from the home plant. Canadian foreign trade has been enormously expanded by the establishment of American factories in the Dominion.

If we were to examine the whole question of American factories abroad no further we would have to conclude that they constitute a veritable menace to American foreign trade; to the development of industry at home; and, to domestic employment. The last phase has already evoked alarm on the part of American labor, and the American Federation of Labor is making a careful study of the whole subject. It sees in the extension of American manufacturing abroad a possible defeat of the protection the immigration restriction laws give to American labor.

How Labor Is Affected

From a labor employment point of view the "pauper labor" of Europe might as well be allowed to migrate to the United States as to permit American factories to migrate to Europe and employ it there to make goods that displace the products of domestic plants and labor.

The removal of that Ludlow jute plant from $5-a-day labor payrolls in Maine to the 30-cent-a-day India is like a blow on the face to labor, the more particularly as in this case the goods made by the Indian plant will not only be sold in other countries but will actually come to the United States to fill the orders that used to go to the American plant. Such a plant removal has ulterior consequences; it reduces the production of wealth in America, withdraws money from general trade and affects the whole economic structure adversely; except that it promises to increase the profits of the owners, who will continue to reside in America.

Ford An Industrial Emigré

Of more general significance to labor and the American economic world in general is the case of the Ford tractor plant in Ireland. This plant is intended, deliberately intended, to supply Fordsons to the American as well as the world market. Not a single Ford tractor will hereafter be

American factories "leave home" when it becomes more practical and profitable to export production than to export products, while the interested shareholder has little preference whether his dividends are earned at home or abroad.

made in this country. Rated as agricultural machinery, foreign-made tractors come into the United States free of duty. Ford has transferred his tractor industry from the United States to Ireland.

It happens that recently the Fordson plant in this country has not been making tractors, having been turned over to the production of automobiles, but in ultimate effect an industry employing many thousands of men has been moved out of the United States in its entirety. Ford has exported a factory to Europe and ceased to export tractors; not only that, he is importing them. Similarly, his branch automobile factories (not merely assembling plants) in England, Germany and France and his construction (and for a time operation) of plant for the Russian government, will crowd out his exports of machines to those countries, and probably others.

The purchase by the General Motors of the Opel plant, the largest producer of automobiles in Germany, is certainly not calculated to extend the market in Germany for American-made automobiles. The same company is said to be negotiating for the acquisition of the Citroen company in France, the largest maker of automobiles in the world outside of the United States. Such an absorption would not tend to increase the exports of the cheaper General Motors cars to France and to other countries that buy Citroen cars. Rather, the contrary.

Profits for Stockholders

The subtraction of such large potential exports from the made-in-America column does not on its face seem to bode good to American labor and American business in general. The investor in General Motors shares will see this foreign penetration in a more cheerful light. Presumably the General Motors Company is acquiring foreign plants for the purpose of profit increment.

The ultimate effect of the multiplication of American factories abroad, both in the particular industrial groups involved and in the whole American industrial and economic structure, is not so simple as appears from the examination of the operations of particular companies and particular industries. It cannot be doubted that if the posed question were merely whether it is better to export goods than the factories to make them the answer would be in favor of the export of goods. The problem involves more than that—for a branch factory may be the only means of getting into certain foreign markets at all, or on profitable terms.

If an American product is embargoed or subject to such restrictions that it cannot enter a certain country with profit, it is obvious that an American branch factory in that country is desirable from the general as well as the particular point of view. The following are some of the factors that prohibit or restrict the exports of American factories to many countries and conversely tend to encourage the establishment of American factories in those countries:

1. Tariffs. 2. Transportation costs. 3. Labor costs. 4. Price of raw materials. 5. National pride and good will. 6. Patent laws and regulations.

The Part That Tariffs Play

The United States is not the only high protection country in the world. Most of the progressive nations are striving to build up domestic industries and approximate self-containment. In many countries and in many commodities, tariff duties are so high that foreign goods are virtually barred out or incapable of being merchandized profitably. For example, France imposes a duty of 45 per cent and Italy 51 per cent on automobiles, and we have virtually no trade in assembled automobiles with those countries and only a negligible business in parts.

France is about tied with the United Kingdom as the next largest consumer of automobiles after the United States. We are out of that market unless we have assembling plants, and can't compete extensively unless we own complete factories in France. With factories in France, we have preferential rates in the French colonies. An American branch factory in Canada not only gets behind the tariff wall for the Canadian market but enjoys the advantages of the system of preferential rates that exists more or less between parts of the British Empire.

The company owning this factory enjoys a more profitable trade in Canada and has a larger and more profitable general export business than it would otherwise have. The home factory often supplies all of the parts, always some; and the foreign market for raw or partly finished material, accessories, oil and fuel is enlarged. Thus branch factories are not infrequently both wise business moves for the particular corporations involved but also for the United States as a whole, even considered only from the standpoints of American output and labor.

A Stimulant to Foreign Trade

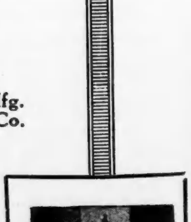
The broader view strengthens the case for them in such countries as Canada and France. Cheap home-made American automobiles stimulate traffic, extend highways and intensify and widen all business in those countries. Living standards rise, wants multiply and demand increases. In a word, an American branch factory abroad, even though it means a complete cessation of exports of its product from the home country may have such ramifying direct and secondary effects as to increase the total of American exports. It always has the direct effect of stimulating exports of American machinery and machine tools—not only for the equipment of the particular branch factory but for its foreign competitors. The enrichment and intensification of a nation's commercial and industrial life always looks to an expansion of its foreign trade. We are profoundly interested in foreign markets for our foodstuffs and raw materials as well as for our manufacturing products.

If transportation costs of American goods to a given country are so high as to make competition difficult or impossible, it is obviously a national benefit if a branch factory be established there. If labor is so cheap in a foreign country that American-labor-made goods cannot be sold, it is better to make them in a native plant and get a share of the business. So with raw materials in some

American Companies Established Abroad

This tabulation shows leading American concerns with branch factories in one or more foreign countries. The countries covered by this record include Sweden, Spain, Italy, Greece, Germany, Austria, Denmark, Belgium, Czecho-slovakia, France, Egypt, Netherlands, South Africa, China, Japan, Java, Straits Settlements, Philippine Islands, New Zealand, Australia, Mexico, Porto Rico, Peru, Uruguay, Argentine, Brazil, Chile. No attempt is made to cover Great Britain or Canada, as the latter alone has about a thousand American branch factories. We will be glad to supply additional information as to location and names of foreign branches from the original record on request.

- Aeolian Company
- American Cyanamid Company
- American Distributing Co.
- American Radiator Company
- American Radio
- American Rolling Mills
- Anderson Barngrover Mfg. Co.
- Anderson, Meyer & Co.
- Arbuckle Brothers
- Armand Company
- Armour & Company
- Armstrong Cork Company
- Auto-Strop Safety Razor Co.
- Baker, (Franklin), Company
- Bardwill Brothers
- Beechnut Company
- Bell Telephone Mfg. Co.
- Bissell Carpet Sweeper Co.
- Bliss, (E. W.), Company
- Boston Blacking Company
- Bowser, (S. F.), Company
- Brecht Corporation
- Brill, (J. G.), & Company
- Bristol-Myers Company
- British-American Tobacco Co.
- Bruns.-Balke-Collender Co.
- Carborundum Company
- Chamberlain Medicine Co.
- Cheseborough Mfg. Co.
- Chicago Pneumatic Tool
- Chrysler Corporation
- Colgate-Palmolive-Peet
- Columbia Phonograph
- Columbia Ribbon & Mfg. Co.
- Cons. Steel Strapping Co.
- Continental Mex. Rubber Co.
- Continental Products Co.
- Corn Products Refining Co.
- Crane Company
- Crown Cork & Seal Co.
- Cudahy Packing Company
- Dearborn Chemical Co.
- Dennison Mfg. Co.
- Dessart Brothers Company
- De Vilbiss Mfg. Co.
- Disston, (Henry), & Sons, Inc.
- Du Pont, de Nemours & Co.
- Eastman Kodak Company
- Edison Lamp Works
- Eneglotaria Medicine
- Feltman Brothers & Hormel, Inc.
- Field, (Marshall), & Co.
- Firestone Tire & Rubber Co.
- First National Pictures
- Ford Motor Car Company
- General Electric Company
- General Motors Corporation
- Goodrich, (B. F.), Company
- Goodyear Tire & Rubber Co.
- Gregg Company, Ltd.
- Hanson, (W. T.), Company
- Hard & Rand
- Hobart Manufacturing Co.
- Hudson Motor Car Company
- Ingersoll Rand
- International Combustion Eng.
- International Harvester Corp.
- International Match Corp.
- Inter. Sash & Door Corp.
- International Standard Corp.
- International Tel. & Tel. Corp.
- Iserson, (A. S.)
- Jantzen Knitting Mills
- Japan Quartz Lamp Co.
- Johnson, (S. C.), & Co.
- Kellogg Company
- Kellogg, (Spencer), & Sons
- Kodak Company
- Kolynos Company
- Kraft-Phenix Cheese
- Larkin & Company
- Laundryette Mfg. Co.
- Lavine Company
- Life Savers, Inc.
- Lobdell Emery Mfg. Co.
- Mallouk & Brothers
- Manila Lingerie Corp.
- Mennen & Company
- Middletown Car Company
- Mergenthaler (A.) Co.
- Munning, (A. P.) & Co.
- National Ammonia Co. of Am.
- National Cash Register Co.
- National Lead Company
- National Radiator Company
- New Home Sewing Mach. Co.
- Newark Shoe Company
- North-East Electric Company
- Northam Warren Company
- Norton Company
- O'Cedar Corporation
- Otis Elevator Company
- Parke, Davis & Company
- Pepsodent Company
- Pfaudler Company
- Portland Cement Company
- Powis-Brown
- Pyrene Mfg. Company
- Quaker Oats Company
- Radio Corp. of America
- Remington Rand
- Reuter-Barry de Mexico, S. A.
- Rhodes, (James H.), & Co.
- Richardson & Boynton
- Ross, (Sydney), Company
- Salamy & Baloutine
- Schrader's, (A.), Son, Inc.
- Scott & Bowne, Inc.
- Shalom & Company
- Sharpless Separator Co.
- Shibaura Engineering Co.
- Simmons Company
- Singer Sewing Machine
- Spalding, (A. G.), & Bros.
- Sparks Milling Company
- Spirella Company, Inc.
- Standard Oil Co. of N. J.
- Standard Oil Co. of N. Y.
- Standard Varnish Works
- Stearns, (F.), & Company
- Steinway & Sons
- Stromberg Carlson T. Mfg. Co.
- Studebaker Corporation
- Swift & Company
- Syracuse Wash. Mach. Corp.
- Union Special Mach. Factory
- Union Sulphur Company
- United Shoe Mach. Co.
- U. S. A. Corporation
- U. S. Hoffman Mach.
- U. S. Light & Heat Corp.
- U. S. Steel Products Corp.
- Universal Pictures
- Vacuum Oil Company
- Vesta Battery Corporation
- Walkover Shoe Company
- Warner Brothers
- Warner, (Wm. R.), & Co.
- Warren Brothers
- Western Electric Company
- Westinghouse Electric & Mfg.
- White, (S. S.) Dental Mfg. Co.
- Willys-Overland
- Wilson & Company, Inc.
- Worthington Pump & Mach.
- Wrigley, (Wm.), Jr. & Co.
- Yale & Towne Mfg. Co.



instances, and also with patent restrictions.

The Preference for Home Trade

Patriotism is an element in the situation. Your Britisher always believes that a British product is better than any other. Many other nationals would rather have home-made goods regardless of cost. Practically all countries have public or manufacturers' propaganda actively at work to encourage the consumption of domestic goods. So effective is nationalism that it is not enough to translate the company's name into a foreign equivalent, erect foreign factories and employ foreign managers and workers; the ownership must be partly in the country. That is why Ford is interesting local capital in his plants in England and Germany.

The expansion of American industrial projects abroad creates a division of interests among business men in the United States. These conflicting forces are already seen at work in our foreign trade, in our tariff schedules and our international banking policies. Because of the timely nature of the subjects, our readers have much to look forward to in the series of special articles of international import which starts with this article.

A consideration not mentioned in the list above of reasons why American factories leave home is so vague and so remote in its substantial results as to seem hardly worthy of serious mention. But abstract ideas often have the most substantial as well as the most unexpected results. The Pilgrims left England to enjoy religious freedom—for themselves—and the result was a new nation and a kingdom of Mammon rather than of the God of the Puritans.

Reference is made to the Henry Ford idea that American plants—at least Ford plants—in Europe can inaugurate an American economic era in Europe—higher wages, mass production, improved standards of living, more spending, more business, more exports from America. Most parts of the world cannot enjoy a large consumption of the modern goods that are so characteristically American until they have more, want more and make more wealth than they have now.

Higher Living Standards Abroad

If the Ford idea can Americanize Europe then wages will be as high there as here and American plants there will have no advantage over American plants at home in the economically colonial markets of the world—and, of course, no advantage, even with free trade, in the American home market. But the total volume of the world's business will be incalculably increased and the United States can be depended upon to get its share for the home factories.

Even though this dream shall never come true in a large way, there is the basic fact that lies below this whole discussion, that every American factory abroad does tend to give the world more for less and add to the sum total of the world's business. America may never sell another cake of soap in France, but cheap American-method soap may blaze the way for American bathroom equipment, American laundry machinery, American plumbing and American water works. We have lost our shoe trade with the Argentine, but our total exports to that country expand like a filling balloon. Canada is dotted with American factories, every one of which, it can be demonstrated, takes bread out of the mouth of the mother factory at home, and yet, despite this greatest trek of ready-made industries that has ever keen known our exports of manufactured goods to Canada mounts from year to year like Jack's beanstalk.

The reason is, of course, that every American plant in Canada, or anywhere else for that matter, immediately sets up new and more demands for American goods incidental to its operation or to the distribution and use of its goods. The more Canada manufactures the more she buys manufactured goods from the United States to the dismay of her statesmen who are fed full on the American idea that prosperity consists solely in exports and not at all in imports.

Risking Loss of Prestige

One possible consequence of a world full of American industrial colonies—one that is being gravely weighed by our captains of export—is that "Made in the U. S. A." will lose its magic. A Chevrolet car made in Germany is not a genuine American car. The prospective buyer may say to himself that he is being buncoed and that since he can't get the real American machine he might as well buy a hundred per cent native product. American prestige will thus, it is argued, evaporate, the net result being destructive doubt concerning the genuineness of all American products.

The branch plants are already giving our consuls, trade agents and commissioners abroad some brain-wracking problems. Shall a British branch of an American plant be treated as all John Bull when it comes into conflict with an all-American concern, or as on a par with the latter? If an American product from a home factory can't

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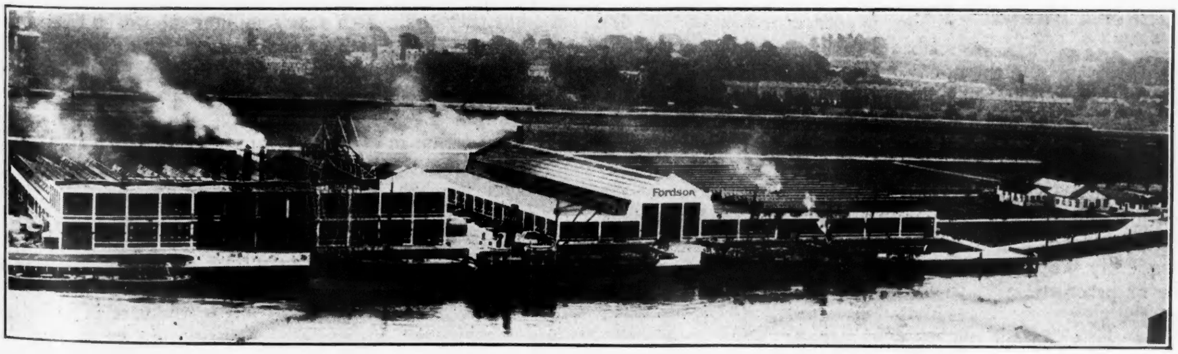

The Fordson plant at Cork, Ireland, where tractors are made for export to the United States

Stock Buyers Search For Hidden Profits

Pointers for the Investor on How to Ascertain Whether or Not the Income of His Corporation is Understated

By Max Rolnik, C.P.A.

Do prosperous companies hold back the reporting of their full prosperity? And how can one determine this in a particular case? To answer these questions it is necessary to turn back to some of the fundamentals of the science of accounting. It is a science, true enough, but far from an exact one. Accounting tells a corporation what it is worth and how much it has earned, provided it makes certain valuations. Based on these valuations, accounting will give one a correct answer. But a similar company, also interested in knowing how much it is worth and how much it has earned, will get a different answer if it has some other basis of computing its values.

Furthermore, the worth of a corporation can be either over-stated or under-stated without necessarily violating any of the accepted principles of accounting. It is all a matter of valuation, which in turn may be a matter of opinion even, possibly a matter of temperament in the final analysis. Numerous examples of this will be cited in following sections of this article. It is enough here to state the simple fact that if the management of a corporation is especially conservative in methods of making valuations, the statements of the company will show up its profits and operations in the least favorable light.

EVERY STOCKHOLDER—

has a vital interest in the subject of over-statement or under-statement of corporate earnings. With the many variations in accounting methods that exist at present, security analysis remains a complex problem, often beyond the experience and training of the small investor. This publication has emphatically urged for many years the necessity for more detailed information in company statements so that the investor may be able to judge more accurately the exact position of his investments.

Hiding a Light Under a Bushel

The net result of such a policy as far as the investor or the general public is concerned may be described by the popular term "hidden profits." On the opposite side of the picture, there are other corporations which are not imbued with the fault (or blessing) of being particularly conservative in the valuations that translate their net worth. The net result there is that profits are over-stated.

But that is a different story. We are concerned here with a discussion of policies and practices that make this term "hidden profits" so much in vogue at present. Consequently we will proceed with explanations which should be of practical value to the investor in ferreting out some of the corporate profits that might be submerged by ultra conservatism of the officers who manage their company.

A company is worth the difference between its assets and its liabilities. The layman will see very little difficulty in computing this, but that is because his own assets are usually of a kind easily valued, and his liabilities are simply his unpaid bills. In the case of a company in business, its assets are, however, not of a kind that can be readily valued —such assets as coal mines and oil wells, plants erected for specialized purposes, materials in varying stages of production, and finished product, some easily salable and some not salable at all.

There are debts due from customers scattered over the country, customers in all stages of prosperity or adversity, investments in other companies which themselves have no public market for their shares. The company's liabilities, too, cannot so easily be valued. Usually there is little question as to what is owed to bondholders and to persons who supplied materials. But there are other liabilities—claims for damages and injuries, claims of the Government for taxes, pending lawsuits, and other probable claims and lawsuits against the company as yet not even commenced. All these have to be valued somehow.

In determining what it has made for the year, the company has to go through the process of valuing both its assets and its liabilities, for generally speaking, its net income is (1) the increase in value of the net assets plus (2) the amount distributed to the shareholders. As a protection against oversanguine statements, auditors, however, have long required that assets which are still held shall not be valued above cost, in computing the profits. This is why conservative companies do not mark up their assets, even though they are worth many millions above cost, and explains a practice which from investors' standpoint amounts to understating their condition. Auditors further require that assets which wear out or become obsolete—for example, mines, buildings, machinery—must be gradually reduced in value in computing annual profits. The method of computing this annual reduction is a most perplexing one, for it means determining in advance when the asset will cease to be of any value.

Conservative companies always attempt to err on the safe side, to write off against their yearly profits a very liberal amount for this—termed depletion in the case of mines and wells, and depreciation in the case of buildings and machinery. Analysts of securities in comparing the relative merits of shares of various companies always adjust the published earnings for computed over or

under depreciation, as near as that can be determined.

Every accountant will testify to the changed attitude of corporation treasurers since high income taxes have come into vogue. Before then, these officials would argue that the depreciation charge each year should not be as high as the accountant recommended. Now, the accountant's recommendation is usually not questioned at all. This is true also with regard to entirely charging off the books all obsolete and discarded machinery. This changed attitude of corporation officials tends further to understatement of asset values and to showing of smaller profits, even where the management would ordinarily not be so conservative in their reporting. In addition to high taxes there are other influences too, working in the same direction, fear of possible competition or of hostile legislation.

Railroads and public utilities trying to maintain or increase rates and manufacturing companies anxious for protective tariffs, will inevitably tend to understate their earnings by every legitimate means. Every auditor has a duty to the company and to its stockholders as a class, and to the creditors who loan money to the company. What is his duty to the public, which includes competitors and other interests hostile to the company, its creditors and its stockholders? As a practical proposition this conflict is usually decided by the auditor against these hostile interests, so far as there is no established accounting principle violated.

Professional accountants have long appreciated that such a situation needs improvement for it permits the informed stockholders to profit at the expense of the uninformed. The market price of a stock, like the market price of everything else, is relative. Every time a purchase or sale is made its intrinsic value is compared with that of other stocks, and its market price with the prices of these other stocks. The investor, and particularly his advisers—the analyst and broker—is continuously seeking for undisclosed values, before the general public finds them and bids the price of the stock up. Among the means for determining undisclosed values is the published financial statement. It shows what has happened, and by comparison with its own results of prior years and with the results of other companies, it indicates the prospects for the future.

Looking for Hidden Profits

There is no established uniformity in the way published reports are prepared and we have to read between the lines, so to speak, to learn more than is disclosed. One of the first things to be observed is whether the report includes the subsidiaries as if the group of parent and subsidiaries were one single company. Where only the figures of the parent company are shown, it is necessary from other sources to determine to what extent the inclusion of the subsidiaries' figures will change the result.

We must seek to determine the corporation's policy as to accounting for its plant assets. Have new acquisitions been charged to income? Is the depreciation reserved for the year out of line with that of other companies? Where we cannot determine this actual situation from the official figures, we must perforce depend on outside data and particularly on a sizing up of the controlling personalities in the management as to whether there is a likelihood that the accounting policy is one of ultra conservatism in charging against earnings the plant improvements or other expenditures which are rather an addition to the assets. Outside of evident bad faith on the part of corporation managers, there is no limitation placed by accountants on the adoption of even the most ultra conservative policy in setting depreciation and depletion reserves.

Next we ought to analyze the policy of providing other reserves—for market shrinkage, accidents and the like. If the increase in such reserves is set up out of income when other companies have taken it out of their surplus, this is a favorable point in the case of the company we are analyzing.

Then, too, we should examine the surplus account. If regularly no charges are made for unusual losses or expenses, it is a safe guess that the company is conservatively charging them to the current year's earnings. But at the same time we have to compare the reserve accounts at the beginning and end of the year to make sure that the unusual items were not charged to the reserves.

Clarifying Side Remarks

The president's letter to the stockholders, included in the published report is very often a valuable guide in analyzing the financial statements. It often gives, as it should, a summary of the plant improvements and abandonments, the basis for depreciation, a statement of unusual items of income and loss—and we can then adjust the published earnings and assets accordingly. Evidence of expansion in plant capacity, as reported by the trade, observation of an increase in the laboring force, and reports of popularity of the product, are all helpful in judging the prosperity of a company independent of published figures. Certain experts have a sort of sixth sense in using these supplementary sources of information and getting at the truth, hidden from those who merely accept official figures at their face value.

There was a time not so long ago when stress was also laid to book value of a share of stock—the book value being the company's reported assets behind each share, after deducting the liabilities. Less attention is now paid to book value, for it was seen that this had no relation to the fair price of the shares. Certain stocks sold much below their book values, while others sold considerably above their book values. This yardstick of measurement is fast being discarded.

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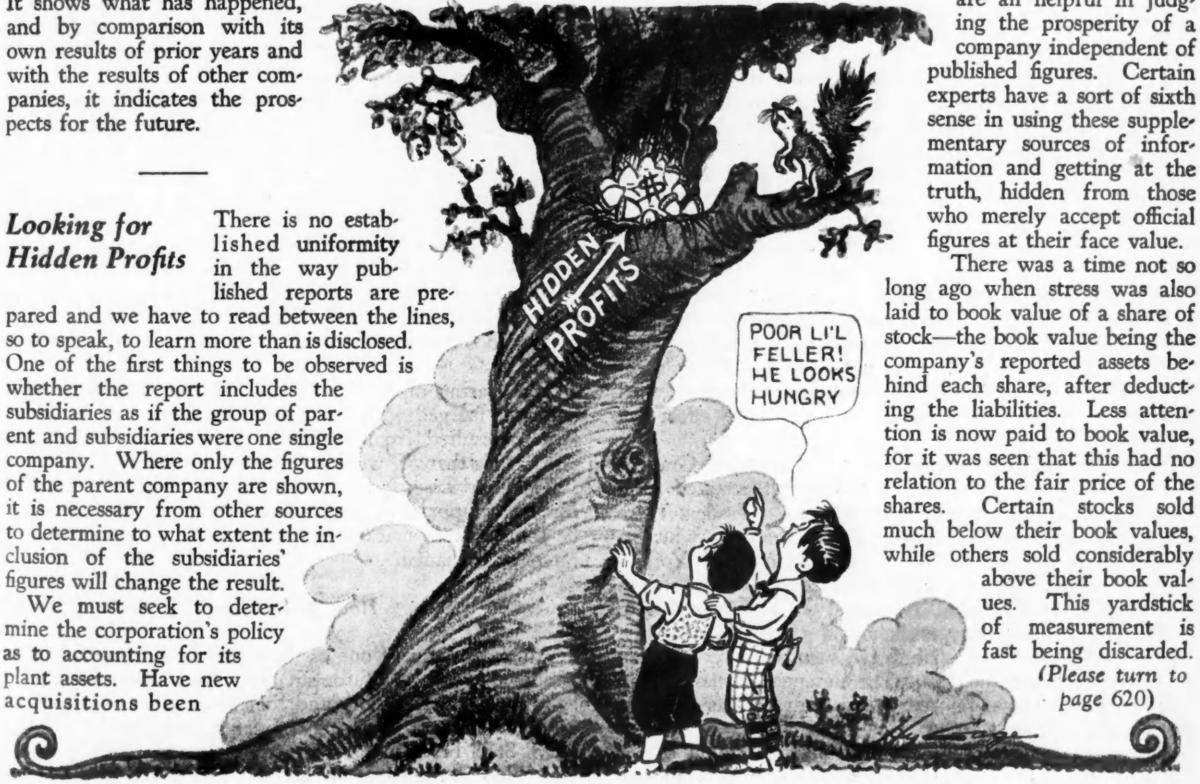


Revival of Arbitrage Trading

Modern Arbitrageur Uses Cable and Radio Telephone—Securities Which Are Subject to Trading

THE growing interest in foreign securities, and the participation of foreign security buyers in American security markets has revived the practice of arbitrage trading between New York and London, Paris, Amsterdam and Berlin. The arbitrageur, whose activities ceased during and after the World War is again transmitting his orders between the Continents, pocketing the profits that he can make from a sudden flurry at one end of the cable or the other.

In fact the volume of such transactions has assumed sufficiently large proportions to influence the day to day values of some of the local stock exchange securities that lend themselves to such trading. Up-to-date investors will make it a point to keep themselves well informed on the interest which foreigners have in the securities that he holds or intends to buy. This information may go a long ways toward explaining the mysterious rises and the sudden recessions in prices that could be traced to the "hedging" orders of the arbitrage trader.

When Markets Are Closed

While United States markets were closed Independence Day, shrewd London traders whirled American stocks to prices higher than those prevalent here the preceding day. This bull movement in London not only caused big turnovers here the next day in such stocks but also awakened interest in arbitraging operations and their effect on markets.

Thus the sudden weakness here in Columbia Graphaphone, during the early part of this month, resulted from London selling or arbitraging operations. Traders there could not understand why the shares here—in which a sizable short interest had been created in New York—were selling so high after rights had expired. The rise in American I. G. Chemical 5½s of 1940 also was due to arbitraging, foreign buyers believing that the company, jointly with Farben Industrie, I. G., soon will offer common shares to debenture holders. The unnamed, unissued and merely-rumored common shares were quoted here, in the third week in July, at 60-65.

The spurt in Fiat, following the successful flight of the Packard-Dieseled engine plane from Detroit to Washington, was brought about by Italian traders who suddenly remembered that Fiat, too, had a Diesel engine. Offering of the various European Ford shares, especially Ford Motor, Limited—the parent company—has provided many profitable arbitraging opportunities.

Catching the Shorts

British General Electric, which has been much in the limelight because of Sir Hugo Hirst's insistence on British control, was highly popular as its British directors went short of their stock and were unable to cover, for several American gentlemen had snapped up the shares and brought them to these prices.

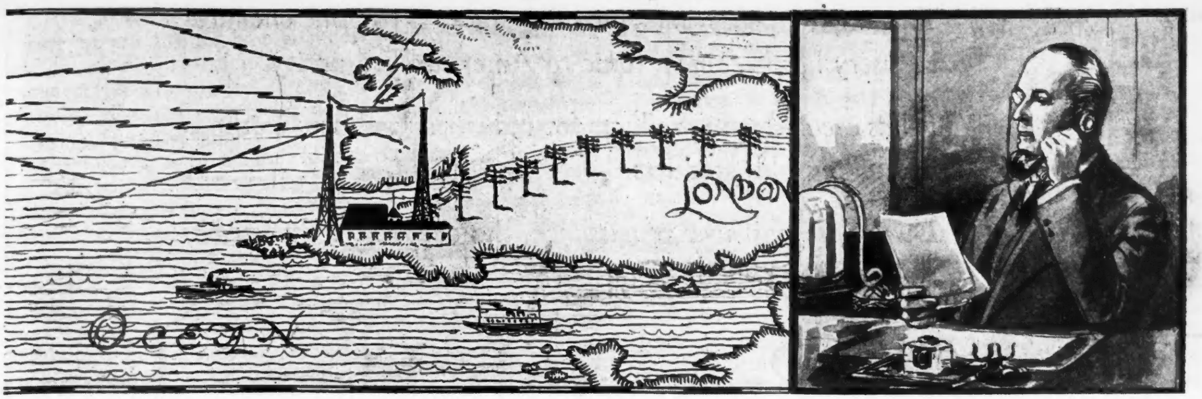
International Nickel, perhaps more than any other security in this market, mirrors arbitraging operations. It is consistently the most popular instrument of arbitrage, for it can be bought or sold in New York, London, Toronto and Montreal. The company passed from American control because short-sellers here were unable to cover in the three foreign markets, as British buyers in those centers refused to sell their recently-acquired shares. When the coppers were rocketing here, shares of Rhodesian red metal mines furnished the most arbitraging commissions, as such transactions frequently passed 150,000 shares a day in New York.

The soaring of Victor Talking Machine last year, just before it merged with the Radio Corporation of America, largely resulted from buying in London where the deal, and details thereof, were known sooner than in New York.

These arbitraging operations, which frequently account for many apparently mysterious market movements, may be the result of market differences in securities, or money rates, or exchange.

How Is It Done?

An arbitrageur of one of the dozen or so firms here that handle the bulk of European arbitrage—which now averages 25,000 shares daily and sometimes reaches as high as 200,000 shares a day—may notice a two-point spread in U. S. Steel between New York and London. He immediately buys in the lower market and sells in the higher, mak-



Explains Odd Security Moves

By John A. Crone

ing his profit from the difference in price momentarily existing between the two centres.

But much of the arbitraging now is a question of money rates. If call-money rates are high in New York and low in London, stocks are sold here and bought in the English financial market; that is, stocks are bought or sold wherever it is cheaper to borrow money. Security arbitraging, therefore, not infrequently is responsible for fluctuations in foreign exchange.

The fluctuations that take place between American dollars and foreign currencies, however, frequently make possible profitable arbitraging. When the Canadian dollar was at a liberal discount with the American dollar earlier in the year, there was considerable arbitraging in Nickel, Noranda Mining, Hiram Walker, Imperial Oil and International Petroleum. Occasionally a wide move in the lire encourages arbitraging in Italian-Edison Electric, Italian Superpower, United Electric Service warrants, Fiat, Pirelli and Montecatini securities.

Speed is most essential in arbitraging, since the operator attempts to profit from occasional price disparities between different markets by virtually selling and buying in two or more centres at practically the same time. Arbitrageurs now are employing radio, trans-Atlantic telephone, and cable for the transmission of their orders.

Quick Transmission Essential

One of the biggest houses here, whose arbitrageur usually enters the office about 5 A. M. daily to watch the course of London trading, has arranged for the daily use of the trans-Atlantic telephone between London and New York at 10 A. M. for the opening of the New York Stock Exchange. Shortly after the opening, this house uses cables only as the telephone becomes so busy that frequently it takes twenty minutes to get a line, during which interval the profit opportunity that existed between price difference in the two markets has ceased.

Another important brokerage firm uses both cable and radio—the latter chiefly between New York and Berlin—and soon expects to be able to daily lease a cable during trading hours. Average cable messages can be sent from New York to London, Paris, Berlin or Milan in less than a minute—delivery, rather than transmission, occasionally delaying them.

Despite the rapidity of communications, arbitraging operations proportionately are not as vast as they were in pre-war and immediate post-war periods, because of the abolition of the arbitrage rail on the New York Stock Exchange, the Exchange's ruling against joint accounts as a violation of split commission laws, the corralling by the British Treasury during the war of most of the American securities to be sold here and thus prevent pound sterling fluctuations, and the great industrial depression in the British Empire.

Lessened arbitrage operations—only about 200 American securities are regularly dealt in on London today as against more than 500 before the war—does not mean that foreign buying of shares has dwindled. The outright purchase of American shares never has been of such proportion as at present. One concern alone in this city sends out a cablegram to Europe every fifteen seconds of a business day, involving security trades, and several houses average a cablegram a minute for such purposes.

Americans continually are buying securities in all parts of the world, while foreigners are persistently accumulating our stocks and bonds. These operations, however, are outright purchases, not arbitraged. Investment trusts, both here and abroad, are constantly combing the world for security bargains, but the American arbitraguer of pre-war days is merely a Wall Street memory.

Arbitraging in the Past

Completion of the first cable between New York and London through which London prices were daily transmitted gave arbitraging its start in 1866. The British had purchased the bonds of our railroads and, with these couponed securities, were given bonuses of preferred and common stocks. So large were the oversea holdings of American rails that London frequently proved a better market—in the sense that trading was greater and price-spread smaller—for Erie and other rail shares than New York. The Dutch also were large holders of our rails, being principally interested in Missouri, Kansas & Texas, Denver, Rio Grande & Western, and other issues selling in the tens and twenties.

The pre-war arbitrageur, quick of ear and eye—he could figure foreign exchange rates mentally faster than

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¶ *Turning to peace-time pursuits since 1918, the chemical industry has become a tonic to American prosperity.*

¶ *It has created new products for industries and new methods of making old products.*

¶ *During its post-war renaissance, the chemical industry has trebled the value of its output.*

Industrial Prosperity Flows From the Chemical Laboratory

By H. J. Knapp

NOTHING, it seems, is impossible with chemistry. In war or peace whenever there has been a definite and continued demand for a new chemical product to perform some special function an army of highly trained research specialists has quickly mobilized to produce the item and usually the world has not waited long for results. Taking the eighty odd elements of which our earth and its enveloping gases are composed the number of combinations of substances is obviously without practical limit and new and useful combinations are being devised daily.

Of course there are many difficult problems yet to be solved and endless refinements in present products and processes are still possible, but with millions of dollars employed in the development of research laboratories the world over and thousands of the very keenest minds bending every effort to extend our field of knowledge results have been amazing and the end is far away indeed.

Particularly during and since the late war have great things been accomplished in the world of chemistry. The present importance of this great industry, or rather group of industries, to America and to the world is, however, far from being fully appreciated.

Status of the Industry

The American chemical industry, with an annual output valued at about $3,000,000,000 compared with $1,000,000,000 before the war, has become the greatest in the world. Among all our industries it now stands first in consumption of coal, second in the use of electrical energy, third in capitalization and in number of employees, and fourth in the value of its output. Most of the chemical products are not of a type which come under the direct daily observation of the average individual but many of them compose the essential raw materials of other important industries and thus are of fundamental importance.

The chemical industry as a whole includes such a wide diversity of products that some sub-division into groups is necessary in order to get any clear idea of its magnitude. Paints and varnishes, gums and pigments account for a total annual production valued at more than half a billion dollars, these items being consumed mainly by the building and automobile trades. Industrial chemicals, including acids, alcohols, sulphur and various specialties come next in importance according to the value of products, ranking not far behind the leading group. The value of medicines and toilet preparations reaches $300,000,000 and that of agricultural fertilizers another $200,000,000. Explosives, matches, coal and bleaches consumed by the textiles make up other important divisions.

Although the total value of its output has trebled during the last fifteen years the American chemical industry has become increasingly self-sufficient. Many items such as sodas and sulphur of which large quantities were formerly shipped into this country have diminished in importance as imports or have disappeared from that category to reappear as exports. Most of the bulk chemicals now imported into the United States are those not found in this country, this classification now making up about 75% of our chemical imports against some 40% thirty years ago.

Second In Exports

In the value of chemical products exported during 1928 the United States took second place among all nations, being outranked in this respect only by Germany and followed in order by the United Kingdom and France. The world's chemical exports during that year reached a value of $800,000,000, of which Germany's share was $331,000,000 or nearly 40% of the total. Our own exports amounted to about $200,000,000, those of the United Kingdom to $145,000,000 and those of France to $128,000,000. World trade in this line is highly competitive, particularly among European nations. Our exports increased only about 5% from 1926 to 1928 while those of Germany showed a gain of almost 30% during the same period. This is not an unfavorable sign, however, and rather indicated the growing ability of American industries to absorb a rapidly increasing amount of chemicals.

Particularly in Germany which formerly had almost a complete monopoly in many chemical products, the manufacture of fine coal-tar dyes for example, but also in France and Great Britain, strenuous efforts are being made to build up production to a state of efficiency capable of competing successfully the world over and an entrance into the rich markets of this country is being eagerly sought. It seems improbable, however, that our own industries will give much ground in the manufactured lines and more and

more we are learning how to supply our own raw materials.

An interesting example of the establishment and development of an industry creating a domestic supply of a highly important raw material is found in the potash recovered from the saline deposits at Searles Lake, California. Here an area approximately twelve square miles in extent is covered by a floating mass of salt crystals to a depth of some seventy feet. In the lower levels these crystals and the brine in which they are suspended are rich in potash and borax. After many years of research and experiment, methods were devised for recovering these valuable chemicals in a pure state on a commercial scale after freeing them from other less desirable salts with which they were combined in the natural deposits.

The process is an elaborate one which cannot be described in detail here. At first a comparatively small plant was built, but since 1926 this has been entirely reconstructed and greatly enlarged so that the present daily production is 240 tons of potash, 130 tons of borax, 10 tons of pure boric acid and varying amounts of other valuable chemicals. Not only has a great and prosperous industry been developed at a spot which was once deemed a worthless desert tract but an American supply of chemical bases essential in the manufacture of a wide range of finished products, some highly important in times of peace and others perhaps vitally necessary in case of war, has been created freeing us from dependence upon imported materials the supply of which might be cut off in the time of greatest need.

Petroleum Industry Revitalized

For years there has been a constant threat that some day, and probably not in the far distant future, this country and perhaps the whole world would find its supply of available crude petroleum exhausted. This evil day has been postponed from time to time by various chemical processes, such as new methods of "cracking" the heavier oils in order to produce a larger proportion of gasoline, but by far the greatest step in advance yet taken is said to be in the basically new process known as "hydrogenation" of petroleum. At high temperatures and under great pressure hydrogen is introduced into a chamber containing petroleum and suitable catalytic agents with the result that new hydrocarbons are formed and nearly 100% of the original oil is converted into gasoline and other valuable products. Where the older cracking process was a destructive one breaking down the heavy oils and freeing a portion of the gasoline the new process is constructive in that the hydrogen is actually chemically combined with the oils thereby building up the desired lighter products, chiefly gasoline. By pulverizing coal and mixing it with a suitable liquid it has been successfully combined with hydrogen in a similar manner and surprisingly large quantities of gasoline have been recovered.

By this process of hydrogenation, it is expected that much of the low grade fuel oil with which the market is now glutted will eventually be converted into gasoline for which the demand the world over is so rapidly increasing, and the proper balance between low grade and high grade petroleum products will thus be restored. Also by this conversion of low grade oils and coal into gasoline the world's visible supply of petrol will be so increased that fear of a possible shortage of fuel oil may be postponed far into the future.

This process was developed in Germany and has been successfully employed there on a commercial scale. Recently it was announced that the Standard Oil Company of New Jersey has secured the American rights to the process and may extend this privilege to other countries as well. At least three large plants for the exploitation of the new method are contemplated for immediate construction and the results of practical operation in this country are awaited with great interest by the whole petroleum world. Here we have another illustration of the far-reaching effect of chemistry upon other important industries.

Aviation Leans on Chemistry

Not only by maintaining an adequate fuel supply but in the actual construction of aircraft has chemistry proven a valuable ally of aviation. The first planes were constructed largely of wood forming a framework over which untreated muslin was stretched as tightly as possible. Later chemistry came to the aid of the designer by the creation of "dopes" of nitrocellulose and cellulose acetate by the application of which the fabrics could be shrunk drum-tight and their strength, durability and smoothness greatly increased. The same treatment is often given to the fabrics used to cover dirigibles. While most airplanes and dirigibles built in this country are covered with "doped" fabrics experiments have been made with all-metal aircraft of both types and in the case of planes at least such construction has proven entirely feasible. In the production of metal alloys having the requisite qualities of lightness and strength lies an unlimited field for chemical and metallurgical experiment.

Millions From Rayon Development

As everyone knows the entire artificial silk, or rayon, industry has been built up by chemistry. The world output of rayon reached 323,500,000 pounds in 1928 and that of the United States alone nearly 100,000,000 pounds, and valuation figures extend high into the millions of dollars.

The basic chemical products from which the rayon fibers are spun are similar to the "dopes" used upon the fabrics for covering aircraft. The production of commercial solvents and industrial alcohols of all types make up another great division of the chemical industry, closely allied to the paint and varnish business.

Just at the time when it was generally predicted that wood substitutes would soon supplant natural timber almost entirely the great lumber industry has been given a new lease of life by the

aid of chemistry. Chemical preservation of timber has been used in this country for upwards of fifty years but only during the last decade has it become of major importance. Timber treated with chemical preservatives is said to have remained sound after forty years of service under conditions in which the untreated material decays within one or two years time. Production of treated timber increased from 146,000,000 cubic feet in 1919 to more than 345,500,000 cubic feet in 1927, the latest year for which full records are yet available. Creosote is the preservative most commonly used and by the modern process is forced deep into the fibers of the timber at high temperatures and under severe pressure. Retorts more than one hundred feet long and eight feet in diameter, into which the timber is conveyed for treatment upon miniature railway cars, are used in the process.

Rubber is another of our major industries which owes much to the science of chemistry. From the initial steps taken in grading and blending the various grades of crude rubber in order to secure a constantly uniform raw material all through the long process of manufacture until finished products of hundreds or even thousands of different types are finally turned out the various stages are controlled by chemical tests and exact amounts of other materials are added to produce the precise results desired.

The Chemist and the Farmer

It is probably unnecessary to point out how much chemistry has done for agriculture. The benefits derived from the use of chemical fertilizers in sustaining and renewing the productive quality of the soil under the strain of constant cultivation are known to every farmer's boy. In every state, large corps of trained men are busy at agricultural experiment stations analyzing soils and seeking the best ways of replenishing the essential salts and minerals which have been depleted by years of farming. As fast as new fertilizers are developed they are manufactured on a commercial scale by the great fertilizer companies and thus are

(Please turn to page 642)

Representative Companies in the Chemical Industry

Company	Earned per Share Common — Years 1927	Earned per Share Common — Years 1928	Earned per Share Common — 1st Quarter 1928	Earned per Share Common — 1st Quarter 1929	Div. Rate $	Recent Price	Yield %	COMMENT
Air Reduction Co., Inc.......	$3.58	$4.61	$1.08	$1.90	3.00	176	1.6	Showing strong upward trend of earnings. Recent rapid rise in price apparently discounts near term prospects rather fully.
Allied Chemical & Dye......	10.03	11.12	NR	NR	6.00	333	1.8	Greatest chemical enterprise in the world. Very strong position with steadily rising earnings. Up 100 points from year's low, but good for the long pull.
American Agri. Chemical....	def(a)	1.59(a)	NR	NR	...	12	..	Very speculative. Dividend arrears on preferred stock make recapitalization appear likely as soon as feasible. Strong current position and improved earnings in 1928, but current outlook uncertain.
American Cyanamid Co......	2.92(a)	3.67(a)	NR	NR	1.60	64	2.5	Strong company making rapid progress. Excellent outlook for longer term, even though selling near high for the year. Constantly adding new properties.
American Solvents & Chem..	0.05	1.57	NR	NR	...	34	..	Speculative position. Earnings record irregular, but showed improvement in 1928. Common dividends appear remote.
Atlas Powder Company......	5.75	6.30	0.87	1.48	4.00	105	3.8	Exceptionally strong treasury position. Earnings running well over corresponding period in 1928. Relatively rather conservatively priced, but lacks speculative appeal.
Columbian Carbon Co........	4.83	6.39	1.67	2.32	4.75*	193	2.5	Rapid rise in price has reflected marked increase in earning power. Near term possibilities now appear quite fully discounted.
Commercial Solvents Corp...	8.90†	12.95†	2.64	3.80	8.00(b)	485	1.6	Very strong and prosperous company. Spectacular rise in market price places stock in speculative position at current levels.
Davison Chemical Company .	def	6.21(f)	NR	NR	...	53	..	Lack of sustained earning power deprives this stock of investment appeal. Not without possibilities for long term holding, however.
Freeport Texas Company....	5.12	4.49	0.56	1.01	4.00	45	8.9	Uncertain outlook reflected in exceptionally high yield. Appears rather well deflated at current price levels, but does not seem attractive until definite earnings gain appears.
Hercules Powder Company..	4.09†	5.51†	1.02†	1.23	3.00	125	2.4	Outlook for steady progress, but unlikely to show spectacular gains. Near term prospects seem well discounted at present prices.
Mathieson Alkali Works.....	2.82†	3.26†	0.66†	0.79†	2.00(c)	64	3.1	Has shown steady expansion in late years and future outlook is excellent. Shares suitable for longer term holding.
National Distillers Prod.....	4.14(d)	1.00(d)	1.67(d)	0.26	...	48	..	Trend of earnings seems now definitely upward, but dividends for the common seem rather far in the future. Not attractive at present prices.
Tenn. Copper & Chem. Corp.	0.51	1.48	NR	NR	1.00	18	5.5	Earnings record irregular, and outlook for future uncertain. Stock not attractive in present market.
Texas Gulf Sulphur Co......	4.76	5.72	1.22	1.53	4.00	72	5.6	Current position very strong and recent earnings record good, but further gains not likely to be rapid. Stock lacks special appeal under present conditions.
Union Carbide & Carbon....	3.18†	3.72†	0.75†	0.87†	2.60	124	2.1	Very strong and prosperous company. Following recent split-up, stock had a rapid price rise, reflecting near-term prospects. Long-term outlook favorable.
U. S. Industrial Alcohol.....	7.26	10.30	NR	NR	6.00	187	3.2	Steady progress of highly successful organization seems likely to continue. Current price level high, but long-term prospects good.
Virginia Carolina Chem	def(a)	0.69(a)	NR	NR	...	12	..	Earnings outlook uncertain for near future, but over longer term company has definite possibilities for expansion and increased prosperity.

† Adjusted earnings. * Partly extra. NR—Not reported. (a) Years ended June 30. (b) Plus 2% in stock. (c) Or 1% in stock. (d) Deficit. (f) 18 months. Includes profits from subsidiary stock.

Market Reflections

THE rails stole a good deal of the industrials' thunder. In both sections of the list, the higher grade issues staged the most convincing moves. But the market in the industrials has been distinguished for its extreme irregularity while the rails have exhibited more uniform strength.

* * *

IT appears that the rails are finally coming into their own. Some of the recent advances among the leaders have been so rapid as to suggest sharp reactions. Nevertheless, the rail shares are still selling out of line when measured by the standard of price to earnings set by the majority of strong industrial stocks.

* * *

PROBABLY the movement in the carrier group will spread out and develop speculative complexes before any prolonged period of distribution sets in. At least, the history of such cycles suggests that there will be a revival of public participation, which, even yet, does not appear very large.

* * *

UNINFORMED traders would seem to be experiencing difficulties in the present market. Seldom has a bull movement been marked by so many conflicting individual price swings. With the early-year speculative psychology largely eliminated, the stock market is more faithfully performing its barometric function of discounting values.

* * *

THE most consistent price appreciation has appeared not only among those stock groups with the most substantial and well defined prospects, but advances within each group have centered around the soundest issues.

* * *

MOTOR stocks, deserted by popular favor, have been called upon to carry the banner of the retreating forces. Evidently, investors are convinced that the peak of the motor boom has been passed temporarily. Traders are quick to abandon an unpopular group and have been switching to more promising issues.

* * *

PERSISTENT firmness in call money not only disappointed but disconcerted the optimists who had been looking forward to a period of surcease from credit uncertainties. Probably the troublesome money factor accounts for the non-revival of emotional buying, so characteristic of the pre-May stock market. If so, high money has not been an unmixed evil.

* * *

ODDLY enough, the market has been running true to form in one respect. Strength has synchronized with tightening call money rates and reactions have followed declines in the call loan figure, generally speaking.

* * *

IT has been remarked that, the higher sound stocks go, the greater reluctance investors display toward parting with them. Doubtless that attitude accounts for the thin market in so many issues.

* * *

THE bears seem to have taken a lesson from the bulls. While the latter were putting up stocks of companies that are likely to show the best earnings for the year, the bears engineered some fairly successful drives against a few of the former speculative favorites that have lately fallen by the wayside because their prospects are not so favorable as the Spring advances would have indicated.

* * *

INVESTORS seem to be faring better than traders. Even though the sound stocks have been rising to new highs, frequent sharp reactions have taken place, requiring some very nimble maneuvering on the part of those who prefer to "scalp" small profits. Then again, the mediocre issues have not been able to hold advances, owing to the difficulty experienced in attracting a public following.

* * *

THE two-way character of the market, and its frequent individual price reactions, are considered encouraging features, serving in lieu of broad technical reactions. At the same time, the advance has lost some of the early momentum and a greater number of stocks have begun to show signs of fatigue. Careful buyers are manifestly tempering enthusiasm and proceeding more circumspectly on the theory that it is better to miss a few profits and still have buying power available in the event of a setback.

* * *

THE stock market is obviously no longer worried about the agricultural sections. Dollar-and-a-half-wheat and 20-cent-cotton changes the outlook considerably for companies dealing with the farmer.

* * *

CHICAGO PNEUMATIC TOOL'S net profits of $1.12 a share for the second quarter, compared with 80 cents for the common in the three months ended March 31, suggest that estimates of $4 a share for the full year are not extravagant. Selling around 38, or less than ten times indicated earnings, this issue would appear to have an appeal to the patient holder, seeking a fairly conservative speculation.

* * *

GRAND-UNION has shown more activity of late, responding to the reports of increasing sales and improved financial condition. The $3 cumulative convertible preference shares may be considered attractive as a speculative-investment of promise, based upon the presumption that the company will eventually come into its own among the chain stores. The preference stock is exchangeable for common in the ratio of one preferred for 1½ shares of common. Around 50, the former yields a flat 6%.

* * *

ANOTHER convertible preferred issue, which affords a call upon a common stock with promising long range prospects, is Hershey Chocolate convertible preference stock, now receiving dividends at the rate of $4 a share per annum, but entitled to an additional $1 before payments can be inaugurated on the common. Exchangeable, share for share for common, this stock combines the qualities of a sound investment with good speculative possibilities, inasmuch as Hershey common seems likely to show earnings approaching $9 a share for the common stock this year.

* * *

ELECTRIC POWER & LIGHT gave ground grudgingly during the recent lull in the public utility price movement. Its relative strength appears rather significant.

ALLEGHANY CORPORATION
Conv. 5s, Due Feb. 1st, 1944

Investment Participation Offered in Railroad "Investment Trust"

Bond Issued, Protected by Large Market Equity, Has Conversion Privilege

By Ward Gates

THE formation of the Allegheny Corporation on January 26th of this year under a Maryland charter for the purpose principally of investing directly or indirectly in railroad securities holds interesting possibilities for the investors in this corporation. In effect, it is the investment trust idea applied strictly to the railroad field and offers the investor a medium to obtain a diversified investment in railroad securities.

Railroad shares have long been laggards in the market, selling on a much lower basis compared to earnings than most other groups of stocks. The reasons for this have been several, but the recent O'Fallon decision and the revival of large scale railroad merger and grouping plans, together with continued good earnings shown by many roads, indicate that these shares will probably be considered in a much more favorable light in the near future and sell on a basis more commensurate with earning power and in line with other types of stocks. The sharp advance which railroad shares have experienced in recent weeks points in this direction and may well be only the beginning of a railroad market. Should these developments materialize, Alleghany Corp., of course, is in an exceptional position to benefit thereby.

Broad Investment Powers

Alleghany Corp. was organized by O. P. and M. J. Van Sweringen, to take over the holdings of themselves and their associates in a number of railroad companies in which they were interested. The Van Sweringen brothers have been trying for several years to organize a new trunk line system by the consolidation of several large and short line railroads, but have been unable to get the approval of the Interstate Commerce Commission. It was largely the holdings of stocks of railroads which were to comprise this new trunk line that were taken over by the Alleghany Corp. These issues with the approximate amounts were 540,000 shares of Chesapeake Corp., 30,000 shares of Chesapeake & Ohio Railway Co. common, 212,400 shares of Erie Railroad common, 75,000 shares of New York, Chicago & St. Louis Co. (Nickel Plate) common, and 96,000 shares of common and 43,000 shares of preferred of the Buffalo, Rochester & Pittsburgh Railway Co.

The powers granted to the corporation under the terms of its charter are broad, entitling it to make further investments from time to time, principally in railroad securities, but it is without power to operate railroad properties, or to engage in the banking business. While possessing the right to acquire or to dispose of securities at such time as in the opinion of its officers and directors may deem advisable, it is not the present intention that the company shall engage at any time actively in the trading of securities as a business.

At the time of its formation, the book value of the securities held by Alleghany Corp. was $84,067,953 and the cash on hand was $46,636,048, so that the company was in a position to acquire additional holdings. During the Spring, it purchased from the New York Central Railroad and from the Baltimore & Ohio their holdings in Wheeling & Lake Erie Railway Co., which these two roads acquired in February, 1927, at a total cost of $19,498,000. The sale to the Alleghany Corp. was on a basis of cost and carry. Specifically, the Wheeling & Lake Erie holdings consisted of 76,796 shares of prior lien stock, 9,866 shares of preferred and 112,000 shares of common, constituting a majority par value of these three classes of stock outstanding. Coincident with the transaction in Wheeling, the holdings in Buffalo, Rochester & Pittsburgh Railway were sold to the Baltimore & Ohio.

During May, Alleghany Corp. raised additional funds through the sale to the public of more of its bonds,

Value of Collateral Securing Convertible 5s, due 1944*

Security	Number of Shares	Recent Price	Total Value
Chesapeake Corporation common	300,000	110	$33,000,000
N. Y., Chicago and St. Louis R. R. common	75,000	147	11,025,000
Erie R. R. common	32,400	80	2,592,000
Chesapeake and Ohio Rwy. common	20,000	244	4,880,000
Wheel. & Lake Erie Ry. prior lien (7% cum.)	52,295	115 (call price)	6,013,925
do preferred (6% non-cum.)	7,867	98	770,966
do common	91,000	99	9,009,000
Total Market Value of Collateral			$67,290,891
Amount of Conv. 5s, 1944, Outstanding			$34,985,000

* Based on New York Stock Exchange listing statement, May 9, 1929.

preferred stock and through the offer to the common stockholders to subscribe to stock at $30 per share to the extent of 15% of their holdings. The money so raised was used to pay for additional railroad securities and to exercise rights to purchase Chesapeake Corp. stock at $50 a share for each two shares held, and Chesapeake & Ohio Railway stock at $100 per share for each four shares held. It is believed that Alleghany Corp. also owns a large block of Missouri Pacific stock estimated at about 275,000 shares of both preferred and common stocks. Recently, Alleghany Corp. was believed to have acquired a large block of the common stock of the Missouri, Kansas & Texas Railroad Co., as well as securities in several other large railroad properties as investments.

The complete holdings of the Alleghany Corp. are not disclosed, but from such holdings as are revealed it is evident that a large paper profit has already resulted as a consequence of the sharp rise which has taken place during the last six weeks in railroad common stocks.

Alleghany Corp. has outstanding currently two bond issues, the one the Collateral Trust Convertible 5% Bonds due Feb. 1st, 1944, and the other a similar issue due June 1st, 1949. While both issues are secured by the pledge thereunder of collateral consisting of certain of the stocks owned by the corporation, the pledged securities are not identical in both cases. In each case, however, the value of the pledged securities must be equal to at least 150% of the amount of bonds outstanding, this valuation to be determined by a quarterly appraisal by the Trustee. Should the value fall under this, then no dividends will be paid on any class of capital stock until such ratio is restored. The securities held under the Bond Indentures can be changed as long as these provisions are complied with.

Large Equity Behind Bonds

With the exception of the maturity date and the collateral, both issues are otherwise substantially identical. The 5% Bonds due in 1944 are outstanding in the amount of $34,985,000, while the 5% Bonds due in 1949 are outstanding in the amount of $25,000,000. Both issues are convertible into seven shares of the cumulative 5½% preferred stock, and ten shares of common stock for each $1,000 bond. The 5s of 1944 are convertible at any time prior to the maturity date; the 5s of 1949 are convertible prior to June 1st, 1944. A small amount of the 5s of

(*Please turn to page 640*)

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list.

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Price	Current Income	Yield to Maturity
Panama 5½s, 1953....(a)	....	...	102½GT	100	5.6	5.6
Argentine 6s, 1959....(a)	....	...	100	99	6.1	6.1
Dominican 5½s, 1942....(a)	....	...	101G	95	5.8	6.1
Haiti 6s, 1952....(b)	....	...	100	97	6.2	6.2
Chile 6s, 1960....(a)	....	...	100	92	6.5	6.6

Railroads

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Price	Current Income	Yield to Maturity
Atchison, Top. & S. F. Conv. 4s, 1955..	267.4	5.51	110	87	4.6	4.9
Pennsylvania 5s, 1964....	....	3.25	105T	102	4.9	4.9
Illinois Central 4¾s, 1966....(a)	....	1.75	102½GT	99	4.9	4.9
Central Pacific Guar. 5s, 1960....(a)	....	2.25	105GT	101	4.9	4.9
Rock Island-Frisco Terminal 1st 4½s, 1957....(d)	....	X	102½T	92	4.9	5.0
Western Pacific 1st 5s, 1946....(b)	....	1.27	100	98	5.1	5.2
N. Y., Chic. & St. L. Ref. 5½s, 1974.(a)	59.6	2.12	107½	104	5.3	5.2
Missouri Pacific 1st & Ref. 5s, 1977.(a)	125.2	1.28	105A	97	5.2	5.2
Wabash Ref. & Gen. 5½s, 1975....(a)	62.4	1.75	105AG	103	5.3	5.3
Central of Georgia Ref. 5½s, 1959....	31.1	1.56	105AG	103	5.3	5.3
Chic. & W. Indiana 1st Ref. 5½s, 1962.	49.9	1.50	105	102	5.4	5.4
Great Northern Gen. A 7s, 1936....(b)	139.8	2.36	....	109	6.4	5.4
Carolina, Clinchfield & Ohio 1st & Cons. 6s, 1952....(b)	13.9	X	107½T	107	5.6	5.4
Nor'n Pacific Ref. & Impr. 6s, 2047..(a)	166.7	2.43	110G	110	5.5	5.5
Balt. & Ohio Ref. & Gen. 6s, 1995...(a)	284.2	2.05	107½AG	109	5.5	5.5
Southern Railway Dev. & Gen. 6s, 1956.	133.8	2.48	....	111	5.4	5.7
Cuba R. R. 1st 5s, 1952....	....	2.78	....	88	5.7	5.9
Minn., St. Paul & S. S. M. 1st 4s, 1938.	....	1.59	....	87	4.6	6.0

Public Utilities

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Price	Current Income	Yield to Maturity
Indiana Natural Gas & Oil Ref. 5s, 1936	....	2.62	....	101	4.9	4.8
Pacific Gas & Elec. Gen. Ref. 5s, 1942..	34.6	1.92	105T	100	5.0	5.0
Consol. Gas of N. Y. Deb. 5½s, 1945.(a)	....	5.40	106T	105	5.2	5.0
Columbia Gas & Elec. Deb. 5s, 1952....	....	5.15	105T	98	5.1	5.1
Montana Power Deb. 5s, 1962....(a)	34.7	2.67	105T	98	5.1	5.1
Detroit Edison 1st & Ref. 6s, 1940..(b)	14.0	3.27	107½T	107	5.6	5.1
Utah Power & Light 1st 5s, 1944....	....	2.90	105	99	5.1	5.1
Postal Tel. & Cable Co., Tr. 5s, 1963....	0.6	1.99	105	94	5.3	5.5
Hudson & Manh'n 1st Ref. 5s, 1957..(b)	5.9	2.63	105	89	5.6	5.8
Seattle Electric—Seattle Everett 1st 5s, 1939....(d)	....	2.01	105	94	5.3	5.8
Amer. W. Wks. & El. Deb. 6s, 1975..(a)	12.7	1.43	110	103	5.8	5.8
Phil. Rap. Trans. 6s, 1962....(c)	10.0	1.31	105	98	6.1	6.1
Twin City Rap. Transit 1st & Ref. 5½s, 1952....(b) (d)	4.4	1.68	105T	84	6.5	6.8

Industrials

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Price	Current Income	Yield to Maturity
Youngstown Sh. & Tube 1st 5s, 1978.(a)	....	3.74	105T	100	5.0	5.0
Gulf Oil Deb. 5s, 1947....(c)	....	4.59	104AT	100	5.0	5.0
Allis Chalmers Deb. 5s, 1937....(a)	....	4.61	103T	99	5.1	5.2
International Match Deb. 5s, 1947....(a)	....	57.03	103T	95	5.3	5.4
Chile Copper Deb. 5s, 1947....(a)	....	5.69	102T	94	5.3	5.5
Amer. Cyanamid Deb. 5s, 1942....	....	9.52	100	95	5.3	5.6
Sinclair Pipe Line 5s, 1942....(a)	....	3.68	103	94	5.3	5.6
Bethlehem Steel Cons. 6s, 1948....	101.3	2.64	105	104	5.8	5.7
B. F. Goodrich 1st 6½s, 1947....(a)	....	2.61	107A	107	6.1	5.9
U. S. Rubber 1st & Ref. 5s, 1947...(b)	2.6	1.70	105A	89	5.6	5.9
Loew's Inc., 6s, 1941 (ex-war.)....(a)	....	6.70	105AT	97	6.2	6.4

Short Terms

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Price	Current Income	Yield to Maturity
N. Y., Chic. & St. Louis 2nd & Impr. 6s, May 1, 1931....(a)	17.3	2.12	102	101	5.9	5.4
Amer. Cotton Oil 5s, May 1, 1931....	....	19.32	105	99	5.1	5.6
Middle West Util. notes 5½s, Aug. 1, '31	....	12.38	100¼	99½	5.5	5.8
Brooklyn Edison 6s, Jan. 1, 1930....(a)	12.0	5.87	105	99⅞	6.0	6.1

Convertible Bonds

	Conv. Into	Interest Times Earned on All Funded Debt	Call Price	Price	Current Income	Yield to Maturity
Inter'l Tel. & Tel. Deb. 4½s, '39....	Com.@200	6.02	102½	166	2.7	..
Atch., Top. & S. F. Deb. 4½s, '48...	Com.@166.6	5.51	102	151½	3.0	..
N. Y., N. H. & Hart. 6s, '48....	Com.@100	1.69	...	130	4.6	3.8
Amer. Inter'l Corp. Deb. 5½s, '49..	Com.@80	2.34	105	115	4.8	4.3
Inter'l Cem. Corp. Deb. 5s, '48....	Com.@90.90	4.61	105	102½	4.9	4.8
Chesapeake Corp. Col. Tr. 5s, '47....	C & O@220	2.45	100	99	5.1	5.1

All bonds are in $1,000 denominations only, except (a) lowest denomination $500, (b) $100.

A—Callable as a whole only. T—Callable at gradually lower prices. G—Not callable until 1930 or later. X—Guaranteed by proprietary companies. (c) Listed on New York Curb. (d) Available over-the-counter.

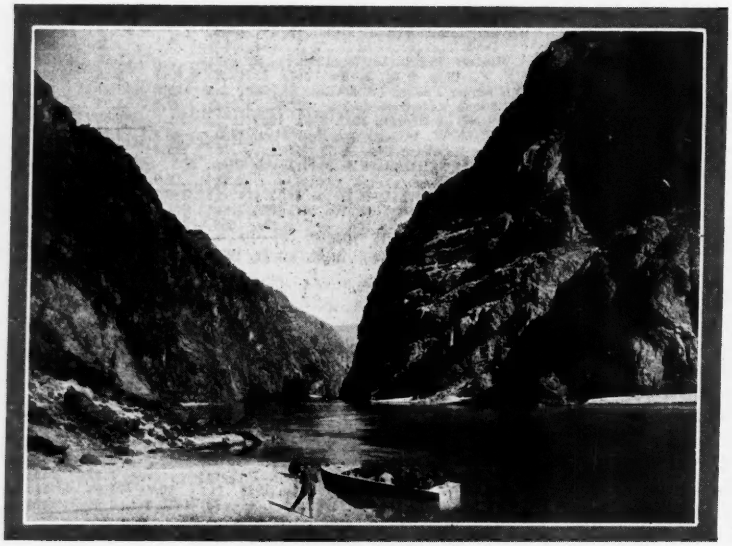
PACIFIC GAS & ELECT. | SO. CALIFORNIA EDISON | PACIFIC LIGHTING

Super Power Goes West

Grouping of Pacific Coast Utilities May Follow in Wake of Similar Moves in the East

By William Knodel

SWEEPING across the country like a great irresistible wave, gaining momentum steadily, the vast movement towards mergers and consolidations has taken hold of the public utility companies. In this particular field, a slow coagulation of the smaller units into large systems has been going on over the last seven or eight years, but since the beginning of the current year, the size and extent of mergers and realignments, especially among the public utilities in the Eastern part of the country, have resembled a tidal wave.



The Boulder Dam site—a future source of power for Pacific Utilities

Those gifted with the rare but divine power to foresee developments many years in advance believe that ultimately the public utility companies of the country, more particularly the power companies, will be segregated into three large groups. These observers see the utilities as coalescing into a Morgan group in the East, an Insull group in the Middle West, and a group, which at present, lacks such notable sponsorship but which will include all the utilities on the Pacific coast.

Super Power Evolving Rapidly

The realization of such a portentious plan is definitely a development of the future, but schemes which only last year appeared in this light have today become actualities. The spectacular developments among the public utility companies in the Eastern part of the country, for instance, lend credence to the belief that there is definitely in the making a super power system extending along the Atlantic seaboard and into the middle western section of the country. Through the formation of several huge super holding companies and through various market coups, practically all the leading public utility systems and operating companies in this territory have been linked together in not more than five or six groups.

While the important developments in the utility field have so far occured in the Eastern section of the country, the next major moves in all probability will take place in the Middle West, where the Insull interests are predominant, and on the Pacific coast where another huge merger may be expected to take place. In view of the modern trend to ever larger aggregations, consolidations of important public utility companies may logically be expected, especially as long as the government maintains its present attitude and does not interfere with such plans.

The present merger trend in the public utility field is analagous to the events that transpired in the transportation industry a half a century ago. At that time there were more than 500 individual railroads in existence in this country. Most of these companies traversed only a small area and served thinly populated sections. Operating expenses were rather high and duplication of routes in many instances rendered operations unprofitable. Realizing the importance of consolidating the smaller systems into large unified groups, leaders in the railroad field at the time conceived the idea of unifying the various smaller companies into large operating systems serving whole sections of the country.

Similar to Era of Railroad Consolidation

The value of these huge consolidations has been forcefully demonstrated by the high degree of operating efficiency of the leading railroad systems in the country. The success of the railroad combinations naturally has influenced other industries to consolidate so that the needs of the public may better be served, and at the same time assure themselves of increased revenues.

In the public utility field, the ad-

vantages of large and unified systems were recognized many years ago. Original plans for the vast consolidations now taking place were discussed during the early stages of the World War, but the advent of the latter and the deflationary period in 1920 and 1921, put a halt to all activities in this direction. Unification developments were nipped in the bud, due to the unsatisfactory credit position of most of the major public utility companies. Faced by increasing costs and unsatisfactory rate schedules, utility men were straining their efforts to continue operations rather than paying any particular attention to expansion.

The recovery of the public utility industry subsequent to this period of stress was phenomenal. Credit conditions became easier so that companies could again finance their expansion requirements on a reasonable basis, but more important were the increases allowed in the rate structure which permitted the companies to earn a reasonable return on the property investment. Companies which verged on the border of bankruptcy nine years ago following the deflationary period, grew into systems of enormous proportions. And now these giants in turn are being absorbed by one or another of the public utility super holding companies that have been formed by the leading banking interests of the country.

Interest in a Pacific Coast utility merger centers specifically around a consolidation of the Pacific Gas & Electric Company, the Southern California Edison Company, and the Pacific Lighting Corporation which will form the backbone of the enlarged system in that territory. A fourth company, the Western Power Corporation, a subsidiary of North American Company, occupies a strategic position in this territory and would have a logical place in a Pacific super power scheme.

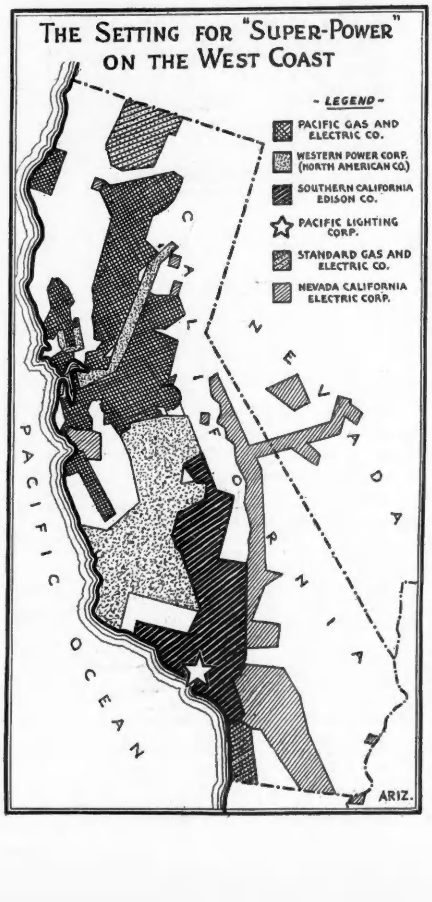
Companies Well Placed Geographically

The territory served by these four companies forms a compact geographical area as is clearly brought out in the accompanying map and covers practically the entire length and breadth of California. Included in the operating end of the grouping would be most of the state's valuable developed water power in addition to modern steam plants owned and operated by the companies involved.

It is conceivable that the scope of a Pacific coast utility alignment should be enlarged to include some of the companies operating in the adjacent areas. In the extreme southwest corner of California serving the city of San Diego and surrounding territory is the San Diego Consolidated Gas & Electric Company, a subsidiary of the Standard Gas & Electric Company. In the sparsely settled country to the east of the Sierra Nevadas and extending into the Los Angeles and San Diego districts is an independent company, the Nevada-California Electric Corporation, chiefly a hydro-electric system. Finally, in the extreme northern part of California is located part of the properties of the California-Oregon Power Company, another subsidiary of Standard Gas & Electric Company. This company operates mainly in Oregon but extends into this part of California because of physiographical reasons. It many therefore logically be excluded from a hypothetical grouping of the California utilities.

Tangible Advantages Obtainable

Not alone do the physical characteristics of the four major companies favor their merger or grouping, but it is logical from many other angles. All of the companies involved are sound operating concerns, each with its own market already highly developed, and yet overlapping in various districts. The correlation of the properties would eliminate this costly competition where it exists and in other ways effect substantial operating economies benefiting the companies grouped and the communities served, by being passed along to the consumer. Where so large a proportion of the electric energy generated is derived from water power, as is the case in California, supplemented of course by steam plants, the pooling of power becomes a very important factor in the economic utilization of these resources. Variations in the water conditions in the different sections, causing irregularity in hydro-electric output, will the more nearly be offset and balanced the greater area included in the power pool.



THE SETTING FOR "SUPER-POWER" ON THE WEST COAST

One of the most important economies effected would be in the field of natural gas, where duplication of lines from the major California gas fields would be eliminated. This natural gas is largely a by-product of the oil fields in southern California, the output from which places the state as one of the leading oil producers in the country. With each barrel of oil produced there is brought to the surface approximately 1,500 cubic feet of natural gas. In the generation of electricity from steam, natural gas is used in large quantities, being a highly efficient and at the same time a cheap fuel. So extensive are these fields and so prolific the output, that natural gas is fast supplanting artificial gas in many of the larger cities and communities. Consumers stand to benefit thereby, because they would be charged no more for natural gas of 1,150 B.t.u. than they would for manufactured gas of only one-half the heating capacity.

The Pacific Gas & Electric Co. is carrying out an ambitious program of pipe line construction which when completed will supply approximately 94% of its territory with natural gas, largely from the Kettleman Hills and Buttonwillow fields. The Pacific Lighting Corporation, serving Los Angeles and vicinity, utilizes mainly the Los Angeles Basin, the Ventura Avenue and Kern County fields. Co-operation amongst the managements of the various companies will tend to conserve this valuable resource, but under a single direction this will definitely be assured.

Boulder Dam Important

The role to be played by the Boulder Canyon hydro-electric and irrigation project would probably be an important one, more so than that played by Muscle Shoals in the East. A huge supply of electric energy will emanate from this source for which a tremendous market must be developed. Congress has authorized the expenditure of $165,000,000 on

this enterprise of which over $108,000,000 is for the construction of a dam, the highest man has ever undertaken, and for the installation of hydro-electric equipment. The stored water will provide a maximum of 1,000,000 horsepower, which at a load factor of 55% will insure 550,000 firm horsepower or 3,600,000,000 kilowatt hours. Incidentally, this is only one-tenth of what the river will eventually yield. Whether the power is to be developed by the government or whether electric generation and distribution are to be left to private enterprise, the law gives the option of the decision to the Secretary of the Interior.

Merger or Grouping Feasible

A large market for the enormous amount of power to be generated here will undoubtedly be found in the thickly populated Los Angeles region as well as other prosperous sections of California. While the completion of the project is still some years hence, it nevertheless is a factor which is being taken into consideration by the power companies in California in the development of their plans for future growth. As a factor favoring the unification of the utility companies in this territory it unquestionably is important because a single unified system naturally would be able to find more profitable use for this energy than the individual units.

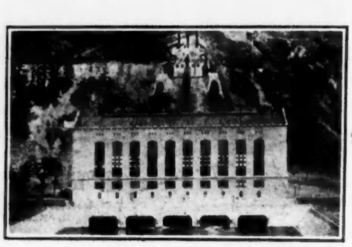
The merger or grouping of the four large California public utility companies would be the ultimate crystallization of a trend which has been going on steadily for a number of years toward fewer and fewer operating companies and systems in this territory. Particularly in the last few years, the expansion of the larger companies into adjacent territory through the acquisition of the companies operating there has been proceeding rapidly. In one of the more important of these realignments, Pacific Gas & Electric Company in 1927 acquired from Standard Gas & Electric Company its holdings of the entire stock of the Sierra & San Francisco Power Company and the Del Monte Light & Power Company, as well as a controlling stock interest in Western States Gas & Electric Company, Coast Valley Gas & Electric Company and certain other properties all operating in the central portion of California. Standard Gas & Electric Company received for these properties 260,000 shares of Pacific Gas & Electric common stock and $2,085,000 in cash.

When the time arrives for the grouping of the major public utility companies on the Pacific Coast, this may be accomplished either by direct merger or consolidation of the various companies with one another, or an alignment may be brought about by means of a superholding company similar to the recently organized United Corporation, or Commonwealth & Southern Corporation to acquire through exchange of stock controlling interest in these companies. Considering the suddenness of recent moves in the public utility industry, the formation of such a superholding company may come rather unexpectedly. If it should evolve that this is the manner in which the grouping is brought, the individual companies of course will still maintain their distinct identities, but a community of interests will be established which should function as if the companies were under a single direction.

Beneficial to Stockholders

The tendency toward the physical expansion and realignment of utility organizations has unquestionably served as the speculative stimulus in the extensive trading in utility stocks, particularly of companies located in the eastern part of the country. A similar development on the Pacific Coast will no doubt similarly affect the stocks of the companies operating there. But the advance in the price of the utility shares was also to a considerable extent presaged by the steadily expanding use of electric power and light, and the resultant impressive earnings expansion shown throughout the industry as a whole. The spectacular manner in which the shares of the companies included in the various newly organized superholding companies have advanced would indicate that the market is discounting not only the normal yearly increases in the business of the companies but additional substantial economies in operations, financing and management which should eventually be reflected in marked degree in the earnings per share of these companies.

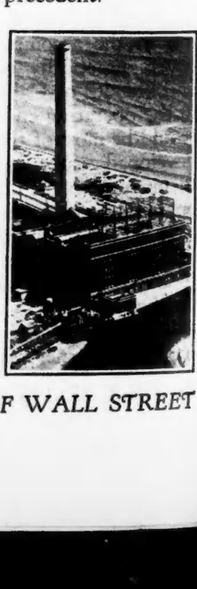
The shares of the three major companies that would comprise the nucleus of any West Coast super-power system would be a more logical commitment prior to any official steps toward consolidation rather than later, if the performance of stocks that participated in the Eastern plan is to be taken as a precedent.



Statistics on Three Important West Coast Utility Companies

	Pacific Gas & Electric Co.	So. California Edison Co.	Pacific Lighting Corp.
Gross earnings	$62,118,557(1)	$36,801,481(2)	$34,182,293(3)
Net operating income	30,340,308(1)	24,111,969(2)	16,556,048
Operating ratio	51.2%	34.6%	51.6%
Net for Common Stock	9,555,403(1)	6,838,282(2)	6,645,893
Common Shares currently outstanding	3,166,265 ($25 par)	2,467,000 ($25 par)	1,458,362 (no par)
Earned on av. number of Common Shares*	3.34(1)	3.01(2)	5.45
Earned on aver. number of Common Shares—Yr. 1928	3.17	3.10	4.23
Plants and property valuation**	384,168,246(4)	295,408,514(5)	206,107,781(5)
Electric Output— Hydro m. k. w. h.	1,708.429	2,069.980	......
Steam and purchased m. k. w. h.	837.284	692,480	226,091
Gas output m. cu. ft.	21.058.369	......	98,309.979

(1) Year ended March 31, 1929. (2) Year ended April 30, 1929. (3) Year ended May 31, 1929. (4) As of April 30, 1928. (5) As of Dec. 31, 1928. * After depreciation. ** As carried on books of the company.



What Is Back of the Rise in Rail Stocks?

Retrospection Shows That Strong Foundation Under Movement Was Well Appreciated

By Pierce H. Fulton

"EVERYTHING comes to him who waits," even a big rise in railroad stocks.

The movement of the kind that Wall Street has experienced in recent weeks, was a long time on the way; finally arrived, but was not generally recognized.

For two years or thereabouts there had been many predictions of such a market and much "watchful," but impatient waiting. That particular group would start up for an hour or a day, only to slip back to painful dullness, while other groups, Steels, Motors, Public Utilities, Coppers—were "boiling" and making "new high records" almost every day. The brief periods of activity and strength in the Rails were very properly characterized as only "a flash in the pan."

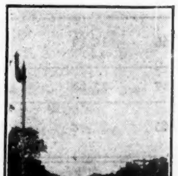
Their failure to keep pace with other important groups was laid chiefly at the door of the Interstate Commerce Commission, the specific charge against that body being over-supervision and regulation, and disinclination to approve unification plans submitted by the railroads.

Congress did not escape either, as speculators blamed it for not passing the Parker and Watson bills, calculated to greatly facilitate unification of the railroads and to even make genuine consolidation possible.

Will the Rise Continue?

But where there is so much "flashing," and considerable "smoke," something bigger generally happens. It has been happening in the market for railroad stocks for more than two months, in a notable way. Is it over? That is the all-important question with investors and speculators just now. In this connection it may prove interesting and profitable to take at least a glance at the following table, which shows the approximate advances in ten prominent railroad stocks from the low levels of this year to the date of this writing. The advance in the rail list as a whole has been in proportion:

Name	High This Year	Low This Year	Advance
Atchison	258⅞	195⅛	63¾
Baltimore & Ohio	134	115⅛	18⅞
Chesapeake & Ohio	275½	195	80½
Great Northern Preferred	125¾	101	24¾
New York Central	238½	178½	60
New Haven	115	80⅞	24⅛
Pennsylvania	99	72½	26½
Reading	126⅞	101½	25⅜
Union Pacific	274⅞	209	65⅞
Wabash	81⅜	60	21⅜



This table shows two things clearly and decisively—the extent to which the above stocks have advanced and the speculative and investment opportunities that they offered at the low levels. It will be well for readers to bear in mind that the advance in the stocks given in the above table, and in the railroad list, as a whole has been most rapid since about the middle of May, when special attention was emphatically directed by this magazine to the position of the railroads and their stocks, and the probability of a big rise.

There are two broad and outstanding reasons why such a movement has taken place, referred to previously but occupying a logical place in this present discussion.

1—Buying by investors and speculators on a better realization of the position of the railroads and of the importance and significance of recent events in the railroad world.

2—Heavy buying by speculators on the expectation of future developments of a character to still further enhance the market value, at least, of railroad stocks.

Facts Previously Disclosed

There is no mystery regarding the position of the railroads, physical and financial. All the facts are on record, and readers of The Magazine of Wall Street have been particularly well informed on both operating side and the financial side of the current railroad situation. In the issues from early May to date there have appeared definite forecasts of the railroad market that we have had, just as it was showing signs of starting, and also the position of the railroads, and the most important events, carefully analyzed.

The two main reasons already given for the big rise in railroad stocks are quite inclusive. Let us look into some of the big factors a bit in detail.

First—How about the physical condition of the railroads? In the May 18th issue, this was summarized with the statement that it was "stronger than at any time since the ending of the World War and Federal Control." That statement may be made even more emphatically at the present moment than then, and the point is made here to emphasize that the splendid physical condition of the railroads did not come about over night. It dates back to an historic meeting of leading railway executives of the United States in the Yale Club, New York City, in

the spring of 1923—a milestone in their record of progress.

That was three years after the return of the railroads by the Government, which had operated them as a war measure. Roadbed and equipment were in bad shape. The executives, realizing that the people of the United States were entitled to the best service possible, voted to appropriate one billion dollars—a hitherto unheard of amount for that purpose—for improvements and betterments on the railroads of this country.

That appropriation, although it was not all spent in the year in which it was made, was the real beginning of the movement that has brought the roadbed and equipment of our railroads to such a high standing that more and faster trains, giving better service, and at a lower cost to the railroads, than ever before, can thus be operated.

It also was the first big stone in the foundation for the recent big rise in railroad stocks.

To accomplish all this and more, the railroads from 1923 to the end of 1928, expended over five billion dollars on the physical properties—and they are not through yet, and never will be. A leading railroad authority said only recently that, "a railroad is never finished." It never is nor never can be.

Paying For Efficiency

These heavy expenditures and the introduction of numberless economies, and many new and scientific methods of operation, have made it possible for the railroads to save

Comparison of Nineteen Prominent Rails

	Previous High (1901-1928)	Recent High	Recent Price	Estimated 1929 Earnings Per Share	Current Price to Earnings Ratio	Yield %	COMMENT
Alleghany Corp.	37 ('28)	53	52	¶	¶	..	Rail investment trust. Prospects not easily definable in absence of adequate information. High on value basis, but speculative possibilities attach to holdings in "Van Sweringen stocks."
Atchison (10)	204 ('28)	260	258	$22.00	11.4	4.0	High grade investment on basis of reported earning power which probably is conservatively stated. Still attractive. One of roads chiefly benefited by O'Fallon decision.
Atlantic Coast Line (§10)	268 ('25)	209	203	15.00	13.9	5.0	Marked improvement in 1929 earnings reflected in stock price appreciation, bringing issue fairly well into line with other rails.
Baltimore & Ohio (6)	125 ('28)	134	133	14.00	9.5	4.5	Figures prominently in eastern merger maneuvers. Conservatively priced in relation to combined investment and speculative prospects.
Central of New Jersey (§12)	395 ('12)	360	355	22.00	16.1	3.4	Principal appeal in high equities behind issue and strategic consolidation position. Tangible developments in latter direction likely to produce materially higher prices in long run.
Chesapeake Corp. (3)	86 ('27)	112	90	4.50	20.0	3.3	Counterpart of Chesapeake & Ohio owing to majority ownership of stock in latter. Convenient means for participating in prosperity of C. & O.
Chesapeake & Ohio (10)	218 ('28)	275	270	22.50	12.0	3.7	Dividend increase seems merely question of time. Still fairly priced in relation to comparative yield and earning capacity. Another leading beneficiary from O'Fallon decision.
Delaware & Hudson (9)	240 ('05)	222	222	17.00	12.6	4.0	Exceptional cash position contains interesting possibilities. Held 55 million dollars at beginning of year. Segregation of rail and coal properties awaits decision of I. C. C.
Erie	72 ('28)	83	82	7.50	10.9	..	Attractive as long pull speculation in view of enhanced earning capacity and resumption of preferred dividends, which clears way for common payments.
Missouri Pacific	76 ('28)	101	99	8.50	11.5	..	Appears one of more desirable issues among the speculative, non-dividend payers on basis of progressive improvement in earnings.
N. Y., N. H. & Hartford (4)	255 ('02)	115	115	11.00	10.2	3.5	Indications of further improvement in earnings justify expectation of higher dividend. Reasonably priced.
New York Central (8)	193 ('28)	243	240	16.00	14.6	3.3	One of leaders on recent advance. Subject to reactions, seems fundamentally in position to show further eventual price enhancement.
N. Y., Chicago & St. Louis (6)	*240 ('27)	162	160	15.90	9.9	3.8	Current $6 dividend appears obviously ultra-conservative. A laggard among the highest grade rails. Merger possibilities heighten appeal.
Norfolk & Western (§10)	202 ('27)	263	259	27.00	9.4	3.9	O'Fallon decision affords relief from fears of earnings recapture. Splendid record and high earning capacity entitle stock to first rate market position.
Northern Pacific (5)	†232 ('06)	116	115	8.50	13.2	4.4	Conservatively valued marketwise. Not a spectacular performer but likelihood of unification with Great Northern a favorable factor.
Pennsylvania (4)	85 ('02)	99	97	8.25	11.8	4.1	Has lately moved fairly well into line with actual merits as first class investment. Desirable acquisition for long pull investment in event of reaction.
St. Louis-San Francisco (8)	122 ('28)	133	130	12.00	10.8	6.1	Margin of earnings over dividend requirements less than average, accounting for comparatively high yield. Should do better in strong rail market, however.
Southern Pacific (6)	139 ('09)	148	148	12.10	11.8	4.0	Rise to record high accords with strong earnings status. Dividend increase appears question of time. Still reasonably priced from long pull viewpoint.
Southern Railway (8)	165 ('28)	160	157	13.25	11.8	5.1	Sound investment, although earnings have not been keeping pace with improvement in other leading rails.
Union Pacific (10)	224 ('28)	275	265	22.00	12.0	3.8	Well able to support higher dividend. Distribution of investment holdings a possibility, lending strong support to price advance.

* Before distribution of 1.7 shares of Chesapeake Corp. for each share of Nickel Plate. † Sold as high as $700 a share on N. Y. Stock Exchange in corner of 1901. Private sales made up to $1,000, while shorts settled at $150. § Including extras. ¶ Insufficient data available for estimate.

much more than ever before out of every dollar of gross earnings for the net. This accounts largely for the big increase in that item in the last few years, and again, for the first five months of this year.

Secondly—How about the financial position of the railroads of the United States? Again reference is made to the May 18th article in which the writer stated that the financial side "is stronger than at any time since the ending of the World War and Federal Control, if not in the entire history of the steam carriers of this country." To bring this up to date it only need be added that their finances are even stronger today than on May 18th.

"Why this great improvement since 1923?" does some one ask? Here is the answer.

1—They have no accumulation of audited but unpaid vouchers, which soon after the war, even in the case of the big systems, amounted to several million dollars each.

2—They have no short time bank loans. Six or seven years ago these obligations also ran into the millions.

3—Net earnings have increased to such an extent that, throughout the period of high rates for call money, the railroads—some of them no larger than the Pere Marquette—have made hundreds of thousands of dollars by loaning their surplus funds in Wall Street.

4—Net income has risen to such high levels that financing through the sale of stocks rather than bonds has been possible in the case of all the strong companies, whether large or small.

5—Net income of some of the large systems for 1928 was practically double dividend requirements on their common stock. It promises to be still larger for 1929.

Effect of O'Fallon Decision

Prominent among the developments in the railroad world since the big upward swing in railroad stocks started, and which was an extremely potent factor in that movement, was the decision of the United States Supreme Court in the St. Louis & O'Fallon valuation case.

This was a test proceeding in which most of the railroads joined to get a decision from that court on the broad principles governing the determination of true valuations for the railroads. It will be recalled that an outstanding feature of the decision was that the I. C. C. must take account of the cost

(*Please turn to page* 644)

Preferred Stock Guide

NOTE: The following list of preferred stocks has been arranged solely on the basis of current yields. The position of any stock in the Guide is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per Share	Earned $ per Share 1926	1927	1928	Redeemable	Recent Price	Yield %
Norfolk & Western	4 (N)	160.35	133.40	133.75	No	85	4.7
Union Pacific	4 (N)	41.17	39.85	46.32	No	81	4.9
Atchison, Top. & S. Fe.......	5 (N)	48.83	40.47	40.21	No	101	4.9
Pere Marquette Prior	5 (C)	68.77	64.08	75.60	100	96	5.2
Baltimore & Ohio	4 (N)	48.41	38.44	49.44	No	77	5.2
Southern Railway	5 (N)	39.33	36.17	32.11	100	94	5.3
Wabash "A"	5 (N)	11.86	6.87	9.24	110	93	5.4
St. Louis Southwestern	5 (N)	12.00	9.30	8.84	No	89	5.6
Colorado & Southern 2nd.....	4 (N)	48.50	53.76	45.46	No	71	5.6
N. Y., Chicago & St. Louis....	6 (C)	24.65	20.31	17.68	110	105	5.7
N. Y., New Haven & Hart....	7 (C)	....	22.05	34.40	115	122	5.7
Colorado & Southern 1st......	4 (N)	52.56	57.76	49.45	No	68	5.9
Kansas City Southern........	4 (N)	10.86	9.04	14.01	No	64	6.3
**St. Louis, San Francisco....	6 (N)	16.12	15.28	17.44	115	95	6.3
Missouri, Kans. & Tex.......	7 (C)	....	13.06	16.34	110	104	6.7

Public Utilities

Public Service of New Jersey.	8 (C)	§21.46	§16.28	20.92	No	148	5.4
Columbia Gas & Electric......	6 (C)	27.81	25.42	30.78	110	107	5.6
Philadelphia Co.	3 (C)	24.20	28.28	16.55	No	52	5.8
American Water Works & El.	6 (C)	22.63	24.30	31.05	110	99	6.1
Federal Light & Traction....	6 (C)	41.51	39.67	49.93	110	99	6.1
Standard Gas & Electric.....	4 (C)	20.00	16.76	14.07	No	64	6.2
Electric Power & Light......	7 (C)	13.83	16.21	17.00	110	106	6.6
Continental Gas & Elec. Prior	7 (C)	26.28	32.71	22.39	110	104	6.7
Postal Tel. & Cable..........	7 (N)	....	....	7.19	110	103	6.8
Hudson & Man. R. R. Conv..	5 (N)	40.32	40.70	37.02	No	74	6.8
Amer. & Foreign Pow. 2nd...	7 (C)	8.89	3.58	5.33	105	94	7.4

Industrials

Mathieson Alkali Works......	7 (C)	67.86	74.06	84.50	No	123	5.7
Case (J. I.) Thresh. Mach....	7 (C)	29.39	38.43	32.59	No	121	5.7
General Cigar	7 (C)	51.26	67.32	62.81	No	120	5.8
Bethlehem Steel Corp........	7 (C)	20.84	16.32	19.16	No	120	5.8
American Locomotive	7 (C)	20.88	16.60	10.83	No	119	5.9
Brown Shoe	7 (C)	29.69	44.12	35.27	120	118	5.9
Deere & Co.	7 (C)	23.22	25.74	29.52	No	119	5.9
Baldwin Locomotive	7 (C)	29.42	12.21	1.66	125	117	6.0
Bush Terminal Buildings.....	7 (C)	‡	‡	‡	120	114	6.1
Bucyrus-Erie	7 (C)	....	....	39.34	120	114	6.1
Goodrich (B. F.) Co.........	7 (C)	13.96	39.19	10.36	125	112	6.2
Crucible Steel	7 (C)	26.19	22.47	22.54	No	112	6.2
Spicer Mfg. Conv.............	3	58.54	74.42	26.00	57½	48	6.2
International Silver	7 (C)	24.39	30.82	27.48	No	110	6.4
U. S. Smelting, Ref. Mng....	3.5 (C)	6.25	6.28	8.43	No	54	6.5
American Sugar	7 (C)	14.08	7.97	14.60	No	107	6.5
General Cable Co.............	7 (C)	27.69	25.72	25.92	110	106	6.6
Glidden Co. Prior............	7 (C)	23.91	32.69	32.69	105	105	6.7
Bush Terminal Debentures....	7 (C)	16.81	18.88	20.55	115	104	6.7
Associated Dry Goods 1st.....	6 (C)	27.67	24.10	24.55	No	88	6.8
Loew's, Inc.	6½ (C)	....	....	57.12	105	95	6.8
Commerce Investm. Trust 1st.	6½ (C)	27.72	24.36	45.50	110	94	6.9
Goodyear Tire & Rubber......	7 (C)	11.83	18.80	18.90	110	101	6.9
Tidewater Assoc. Oil conv....	6 (C)	13.35	7.35	19.49	105	87	6.9
Otis Steel Prior	7 (C)	16.36	11.80	28.68	110	100	7.0
Consolidated Cigar Prior......	6½ (C)	....	26.45	32.74	105	88	7.4
International Paper	7 (C)	11.31	7.42	4.53	115	87	8.0

C—Cumulative. N—Non-cumulative. § Earned on all pfd. stocks. ‡ Guaranteed unconditionally by Bush Terminal Co. ** Adjusted to basis of present stock.

Prospects Brighten for Seaboard Investors

Improved Earning Position and New Finance Plan Hold Much Promise

By Ray Rutherford

Features of Seaboard Air Line Railway's Position and Outlook

1—Railway operating revenues for first six months of this year increased $1,800,000 over corresponding period of 1928.

2—Balance after fixed charges for first six months increased $351,000.

3—Outlook favorable for continued increases for second six months of this year.

4—Proposed recapitalization plan expected to provide solution of company's financial problems for next five years.

5—Deposit of adjustment 5% bonds absolutely imperative for its success.

THE tide has turned for the Seaboard Air Line Railway. Improvement in its earnings, which was first perceptible in the last quarter of 1928, became more pronounced during the first half of this year, as shown by a graph based upon a preliminary statement for the later period, which forms a part of this article.

How great was the loss in the Seaboard's gross revenue is briefly explained by the official statement for 1928 which shows that item as 9.7 million dollars smaller than for 1926.

It will be recalled that this big decrease was the result chiefly of the real estate boom in Florida, which reached its height in 1926, and the inevitable slump that occurred in 1927. Florida, her business interests, her railways and her people suffered from the boom as well as the slump.

The former, while it brought quick and fabulous profits to many, set up artificial values for practically everything, necessities as well as luxuries. This, in turn, increased greatly the cost of living, doing business and running a railroad. When the collapse came it was not possible to reduce expenses as rapidly as the price of real estate, and other things that had become so highly stilted, fell.

The practical wiping out, within a short time, of those fabulous profits, brought the purchasing power of this section down, overnight, as it were, and most seriously. Before there was any chance for real recovery the extreme southeastern section of the United States, which is traversed by the lines of the Seaboard, was visited by disastrous storms and floods. In addition to heavy property loss from this catastrophe, as well as from the slump in real estate, the buying power of the people and their funds with which to do business, were further seriously reduced.

To make the situation still worse for the Seaboard, there were developments in other sections of its territory, further north, that depressed the business of those sections and reduced the earnings of the railway proportionately.

It was such a situation, roughly outlined, with which its management was confronted in the hectic years of 1926, 1927 and 1928. Remember that conditions were just as abnormal when the real estate boom was going at full tilt in 1926, as when in the next two years the business depression was the most severe.

It might very naturally be assumed that under such conditions the physical state of the Seaboard property was sacrificed. Not so, as statements by L. R. Powell, Jr., president, show. He says that "of the decrease of $3,970,351 in operating expenses [in 1928] only $844,771 was in the maintenance accounts, of which $759,834 was in maintenance of way." This single statement indicates that maintenance of equipment was not neglected.

Mr. Powell further explains that "this decrease in maintenance of way expenditures does not, however, represent deferred physical maintenance, savings of approximately $200,000 having been made in overhead accounts not affecting the physical maintenance of the property, while the major portion of the balance resulted from savings effected by the purchase of materials of the same quality at lower prices. The savings in the lower unit cost of crossties alone amounted to approximately $300,000."

In these statements Mr. Powell was speaking about the results for 1928. With larger earnings during the first half of this year, the Seaboard has made still more liberal outlays for the maintenance of roadway, structures and equipment.

That its road and equipment are in good shape is shown by the fact that it was able to handle, satisfactorily, last winter, the much larger volume of passenger traffic to and from the South Atlantic States, than was enjoyed the winter season before, and also by the preliminary statement of results for the six months from Jan. 1st to June 30th of this year.

The struggle back to prosperity from the adverse conditions, over which the Seaboard could have no real control, has been big but, happily, as already indicated, the tide has been running in the opposite and the right direction, and the outlook is favorable for a continuance of improvement in business generally in the Seaboard's territory, and also in both its gross and net earnings.

Improved Earning Trend

For the last quarter of 1928 there was an increase of $131,171 in the

former item over the corresponding period of 1927. For the first five months of this year, gross earnings aggregated 27.18 million dollars against 25.68 million for the like period of 1928. This was an increase of 1.5 million, and gives a very good idea of the improvement that has taken place in general business in the areas in which the Seaboard is most vitally interested and from which it derives the greater part of the traffic which it carries to northern points. These are actual and official figures.

Mention was made of the fact that improvement in Seaboard's earnings was first noted during the last quarter of 1928. It is interesting and important to trace the further improvement, month by month, during the first half of this year. The accompanying graph gives the returns in that form for that period, compared with the corresponding months of last year, the figures for the first five months of 1929 being actual, with June estimated.

The results for May and for the first five months of this year would have been still more favorable if account had been taken of the $530,000 back mail pay which the Seaboard is to receive from the United States Government. This money will be handed over shortly and will appear in the earnings for subsequent months.

Recovering Territory

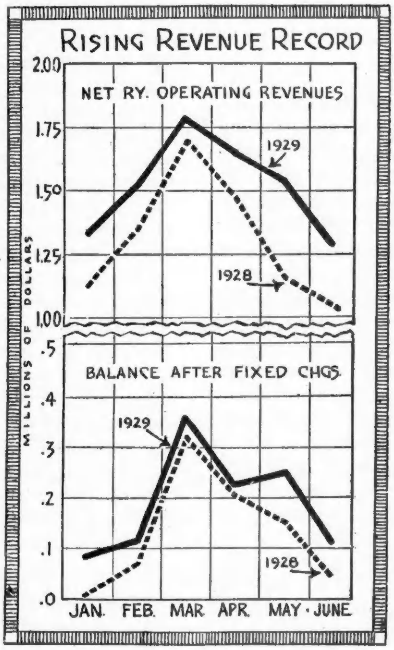
A notable feature of the five months' figures is a decrease of 3.10% in transportation ratio. President Powell, who recently returned from an inspection trip of the Seaboard system, says that the physical condition of the property never was better and that this is evidenced by the sharp decline in the transportation ratio.

He also calls attention to the fact that "there is no section of the country developing along more substantial lines than the southeastern territory served by the Seaboard Air Line in the States of Virginia, North Carolina, South Carolina, Georgia, Alabama and Florida, where excellent opportunities are offered in agriculture, in citrus fruit growing, in manufacturing and in almost every line of endeavor. It is believed that the development that will take place in this territory during the next few years will exceed the most optimistic forecasts of today."

Speaking with respect to the outlook for the immediate future, Seaboard officials are hopeful and confident as to traffic and earnings of that company for the second half of this year.

Thus it will be seen that the Seaboard has the railroad and the territory. Already the situation is materially improved over the conditions that prevailed in 1926, 1927 and 1928. The point cannot be stressed too strongly that Florida and the adjoining areas have suffered as greatly from the real estate boom as from the collapse. Real estate there is now in better demand, and even conservative observers and authorities are confident that the next development will be entirely of a substantial character and will wipe out, in due time, the undesirable results of both the boom and the slump. All that is needed is still further progress along the healthy lines that business in general and real estate in particular in that part of the country are now taking.

Not only has the Seaboard been confronted with such a traffic situation



and earning setback as have been roughly outlined, but also with greatly depressed prices for the company's securities of all kinds, bonds as well as stock. This made financing through the sale of those securities, particularly stock, practically, out of the question.

More than this, these directors and officials were confronted with maturities running from 1929 to 1933 inclusive and aggregating 38.64 million dollars. In addition, there are equipment obligations, and bank loans amounting to $2,150,000. For taking care of the larger amount it was extremely difficult, under existing conditions, to make satisfactory preparation. Although earnings were showing distinct improvement and market prices for the company's securities had recovered materially, still the latter in most cases were quoted at such levels as to practically preclude an offering for any purpose.

The small amount of equipments could be met in a large part by cash provided through accrued reserves for depreciation. Something had to be done, however, with regard to the larger maturities. It has been done already, at least as far as the company, its bankers and lawyers, have been able to go in accordance with the provisions of the charter, and likewise of the plan that has been devised for taking care of all maturing obligations for the next five years.

It will be recalled that late in May official announcement was made of such a plan that bore the date of May 27th, 1929. It was favorably received at the time and no opposition of importance, if any, has developed in the intervening weeks.

The New Plan of Financing

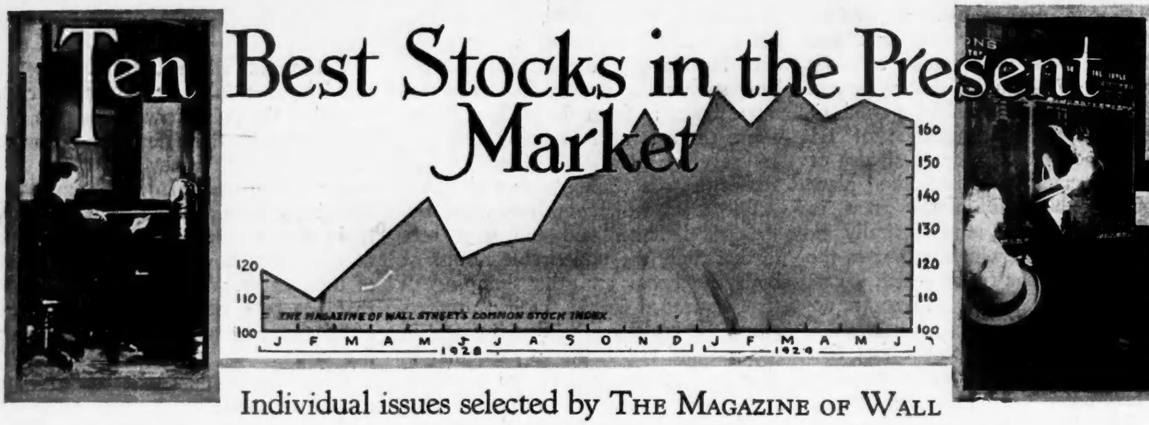
To get the proper setting, before making a rapid outline of the chief provisions of the plan it is quite proper to note that it was "developed by the company, in cooperation with a committee representing the adjustment bonds, after consultation with the owners of substantial amounts of other classes of the company's outstanding securities."

The plan, briefly, has the following objectives, the reaching of which would seem to be mutually favorable, to a great extent at least, to both parties in interest—company and security holders:

1. A debt reduction of $17,500,000—to be accomplished through the substitution of $12,500,000 first and consolidated bonds for $25,000,000, principal amount, of adjustment bonds plus $5,000,000 accumulated unpaid interest.
2. A debt postponement of $17,374,528 through reducing maturities over the next five years from $38,643,111 to $21,268,583.
3. The receipt by the company of new money through the sale of common stock in the minimum amount of $7,500,000.
4. A total annual interest saving of at least $950,000, of which $500,000 will be accounted for by the elimination of the adjustment bonds.
5. Improvement of the company's credit position, enabling it to finance future requirements through the sale of either common stocks or bonds.
6. Simplification of the capital structure to facilitate investment of surplus earnings in additions and betterments to properties, with resulting increases in revenue and economies in operation.

(*Please turn to page 633*)

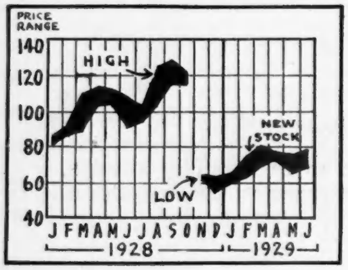
Ten Best Stocks in the Present Market



Individual issues selected by THE MAGAZINE OF WALL STREET Staff for immediate commitment regardless of the general trend on the basis of their outlook or record of steady progress as to earnings

Continental Can Co.

CONTINENTAL Can Co., the second largest manufacturer of tin containers, has, over a period of about eighteen months, acquired ten independent companies resulting in a substantial reinforcement of the company's trade position. New plants have been constructed, output is gradually becoming more diversified and the management has been actively engaged in firmly establishing the company in the leading canning districts and distribution centres. The broad geographical diversification which has been accomplished will unquestionably have a very important bearing on future operations and should assist materially in preventing wide fluctuations in earnings.



The company's past record reveals a steady upward trend in earnings since 1922, interrupted only in 1926, due to the tremendous vegetable pack in 1925 and the subsequent heavy carry-over. The prompt recovery in profits in 1927 was followed by record breaking results last year, and it is quite probable that a satisfactory vegetable crop will enable the company to make an even better showing this year. Corn, peas and tomatoes are the three important vegetable crops which determine the earnings of canning companies to a greater extent than other crops and the substantial increase in the yield of all these crops which should materialize, barring unfavorable weather, will more than alleviate the effects of the unfavorable fruit crop on the Pacific Coast.

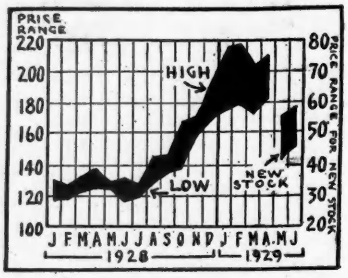
The payment of a 100% stock dividend late last year and the offering of additional stock last May increased the outstanding common to about 1,609,900 shares, which are preceded by $4,932,000 7% preferred stock. Dividends on the common stock are being paid at the annual rate of $2.50 per share which is about 60% of 1928 earnings. Based on the number of shares outstanding at the close of the latter year, net income was equal to $4.35 per share but given the logical benefits which should result from the closer co-ordination of newly acquired companies, the probability that earnings this year will approximate $6 per share appears to be well founded. Reasoning further, it would seem that stockholders are justified in expecting something in the form of an extra dividend or an increase in the regular rate to $3. The exceptionally strong financial position of the company lends additional weight to either of these possibilities. At the last report, cash alone would have been sufficient to liquidate current liabilities.

The common stock has many of the inherent qualities of a sound issue and commends itself readily to the attention of the investor seeking an equity in an established and growing enterprise. In contrast with the market valuation placed on the shares of American Can, the leading company, equal to about 25 times last year's earnings, quotations for Continental Can are less than 20 times per share earnings in 1928. With the growing recognition of the important developments which have taken place in the company's affairs during the recent past, both issues should sell more nearly in line.

Commitments made with a view to exercising a fair measure of patience should be productive of desirable results from every standpoint.

Mathieson Alkali Works, Inc.

A PROGRAM of plant improvement and expansion extending over the last eighty years has placed Mathieson Alkali Works among the leaders in the rapidly growing chemical industry. In a comparatively short space of time the company has developed an extensive line of organic and inorganic chemical compounds including bicarbonate of soda, caustic soda, soda ash, liquid chlorine, ammonia, benzoic acid, benzoate of soda and vanillen. In strengthening the company's trade position and improving the degree of operating efficiency, the management has given considerable attention to the development of raw material resources, utilization of waste material, increased output and efficient distributing facilities. It is also important to note that expansion has been largely accomplished and financed by excess earnings.



With the unfolding of the program outlined above, it

is only natural that the benefits thus derived should have a favorable effect on the company's earning power. Total income has more than doubled during the past five years and, despite the substantial allowances for depreciation made by chemical enterprises, net income has gained proportionately. Based on the 147,207 shares of common stock outstanding at the close of 1928, earnings in that year were equal to $13.04 per share in contrast with $11.27 in 1927 and $5.76 in 1924.

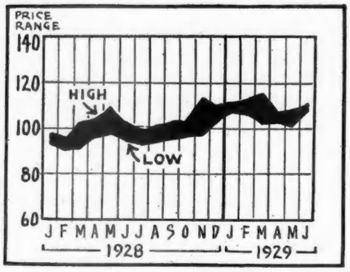
The recent disbursement of a 300% stock dividend increased the amount of common stock outstanding to 588,328 shares and, in addition, there is $2,475,000 of 7% preferred stock. Dividends on the new stock are being paid at the rate of $2 per share annually, equivalent to $8 on the former stock which had previously been receiving $6 a share per annum. Although capital expenditures have been large, financial position of the company is wholly satisfactory with net working capital exceeding $2,200,000.

Prevailing average prices for some of the company's products are somewhat lower than at this time last year but the company was successful in reporting a further increase in earnings for the first six months. While it is possible that subsequent results may not show the relatively marked gains registered in 1928, the company should experience no difficulty in earning something in the neighborhood of $4 per share for the common stock. From a longer range viewpoint, Mathieson Alkali is well equipped to keep step with the important progress which seems directly in line for the chemical industry.

Thus, it may be safely concluded that the shares, although admittedly not outstandingly undervalued, offer an attractive equity in a company prominent in an industry having unusual potentialities.

Great Northern Railway

CIRCUMSTANCES have combined to restore Great Northern once more to the list of high grade investment rail stocks. The economic status of the road's territory has steadily improved in recent years. This accounts for a consistent expansion in the carrier's operating revenues. An aggressive expansion and betterment program is reflected in the marked gains that have been made in respect to operating efficiency. While the volume of freight tonnage handled has shown no definite trend, an improvement in the diversity of traffic, expressed in the rising tonnage of manufactured products and miscellaneous freight has enabled Great Northern to improve its income. And, finally, the possibility that a favorable decision may be reached by the Interstate Commerce Commission, later this year, in respect to the application for unification of the "Hill Roads," tends to heighten market interest in the shares.



Total operating revenues reached 126.74 million dollars last year, exceeding by a wide margin the 1920 total of 124.92 millions. The encouraging 1928 showing followed a progressive expansion from the 110.24 millions reported in 1924. Traffic prospects for the last half of the current year are somewhat obscured by the rather uncertain grain outlook but on the whole it is likely that an abundant harvest will be marketed. It is significant, in the light of this outlook, that the company's preliminary statement of gross income for the first six months of 1929 shows an estimated total of 56.30 million dollars, compared with 49.96 millions for the corresponding period of 1928.

Estimated net income of $2.93 a share for the first half, contrasted with $1.61 last year, reflects the continued progress made in respect to increasing operating efficiency. It would also indicate that, owing to the good physical condition of the road, it is well situated to translate higher operating revenues directly into larger net profits. In fact, the intensive efforts directed toward lowering operating expenses may be held largely accountable for the recovery in earning power under a still inadequate rate structure in the northwestern territory.

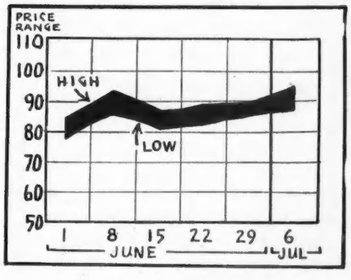
For the full 1928 year, Great Northern earned a balance of $10.11 a share for the preferred stock, which is its only junior issue, compared with $9.24 a share in the preceding year. From present indications, it would appear that earnings for 1929 may approach $12 a share, although a credit for back mail revenue, included in the first half year's revenues, was something of a factor in swelling income to the highest total in the road's history.

On the basis of earnings, an increase in the $5 dividend, which has been in effect since 1922, would appear logical. Consideration of a higher rate has been postponed, however, pending a decision from the I. C. C. in the proposed unification plan. In the event such decision should be too long delayed, it is probable that Great Northern's directors will decide to give shareholders a more liberal participation in the road's recovered prosperity without regard to this factor.

On the other hand, should the plan be approved, the large savings that would undoubtedly result from consolidation of Great Northern and Northern Pacific with their affiliated roads, notably the jointly controlled Burlington, would also justify a larger dividend, equivalent to $6, possibly even $7 a share for Great Northern preferred. At any rate, around 120, the stock still appears out of line with the more substantial rails.

Bendix Aviation Corp.

THE Bendix Aviation Corp. was formed in April last and the company's shares are one of the more recent listings on the New York Stock Exchange. The strong sponsorship which has been given to the company and the importance of the various enterprises which were combined to create it goes a long way toward mitigating the more speculative factors usually present in the securities of newly formed companies. As it is now constituted, Bendix Aviation occupies an exceptionally strong position in both the automobile and aviation accessories field and gives excellent promise of future growth and profitable development.



At the outset, the company acquired all of the stock of the Bendix Corp., together with all of the assets of Stromberg Carburetor Co. and the Electric Auto-Lite Co., of Delaware, the latter consisting of the minority interest in the Eclipse Machine Co., of which the Bendix Corp. held the majority. All of the stock of the Scintilla Magneto Co.

and the Delco Aviation Co. was also obtained. The stock of the last named company and $15,000,000 in cash was turned over to Bendix Aviation by the General Motors Corp., in return for 500,000 shares of stock or approximately 23% of the total number of shares outstanding. The combined output of these companies consists of a well-rounded line of starting drives for automobile, tractor, aircraft and marine engines; brakes for automotive and aircraft vehicles; carburetors, magnetos and aircraft wheels. Coaster brakes for bicycles, radio generators and a limited line of textile devices are other products.

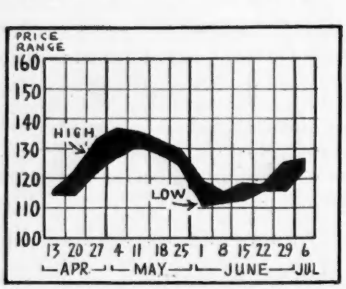
Forty-five United States patents covering the well-known Bendix drive for starting are owned, subject only to an outstanding one-fifth interest in royalties in patents and other proceeds and the company is the exclusive manufacturer under these patents. It also has the sole manufacturing rights in the United States to the Perrot four-wheel brake system and deliveries were begun last April on the largest single brake order ever received by the company, calling for complete equipment on 150,000 cars. The company has brake contracts with Ford and Nash and licenses three important General Motors units. In addition, more than 90% of the automotive starting equipment used by domestic manufacturers, including Ford, is supplied by Bendix. In the aviation industry, it supplies practically all the carburetors, magnetos and starting gear; 80% of lighting and ignition, and over 60% of the wheels and brakes.

At the present time there are 1,890,000 shares of no par common stock outstanding, constituting the sole capital liability. In addition, there are 310,000 shares reserved for bankers, employees and others to be subsequently taken up at a price of not less than $62.50 per share. Dividends have been inaugurated at the rate of $2 per share annually. Earnings of the company in its present form are not yet available but conservative estimates indicate profits for the current year of about $4 to $4.50 per share. With a substantial and established backlog of automobile business, the company is also developing into a leading factor in aircraft equipment and future earnings seem destined to reflect the rapid progress indicated for aviation.

As a conservative speculation for the pull, Bendix Corp. shares appear to have distinct possibilities for price appreciation.

Bohn Aluminum & Brass Corp.

THE remarkable gain in earnings shown by the Bohn Aluminum and Brass Corp. in 1928 and the company's ability to sustain and increase profits in the current year has not been the result of unusually fortuitous but transient circumstances. Contrarily, the excellent showing appears to be more deeply rooted and a just manifestation of steady progress, aggressive management and an increasingly strong trade position.



As its name suggests, the company engages principally in the manufacture of aluminum and brass castings used largely by the automobile, electrical equipment and aircraft industries, and products include housings, crank cases, transmissions, bushings, bearing gears, etc. Most of the leading automobile manufacturers equip their products with Bohn pistons and the company numbers Ford, Chevrolet, Buick, Dodge, Chrysler, Studebaker and Packard among its customers. About 90% of the bearings used in airplane motors and 50% of the aluminum parts for vacuum cleaners are supplied by the company. Slightly over a year ago, control of the Michigan Smelting and Refining Co. was acquired, which has permitted the company to effect an important saving in overhead and as the products of Michigan Smelting do not compete with Bohn, output of the latter has been further diversified.

Aviation business has doubled yearly and is becoming an important division particularly in the light of the company's most recent introduction—an aluminum alloy "Bohnalite" said to be 36% lighter than aluminum and 76% lighter than iron. This new product will undoubtedly find an extensive market among aircraft manufacturers. A large staff of technical experts engaged in research and the development of new products, special metals and alloys is retained and has played an important role in the company's progress. All in all, the company is well fitted both from the standpoint of trade position and experience to take full advantage of the future development of the aviation industry.

The capital structure is a simplified one, being made up of a funded debt amounting to about $2,155,000, issued in connection with acquisition of the Michigan Smelting & Refining, and 350,000 shares of no par common stock on which regular dividends of $3 plus $2 extra are being paid.

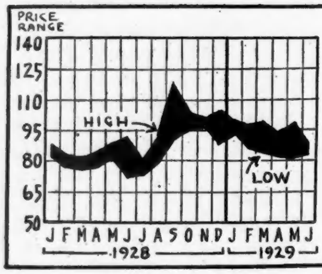
Responding to the record breaking production of automobiles and the success of the company in obtaining several new and important contracts, both sales and earnings last year were the largest in the company's history. Net income amounted to $9.09 per share in sharp contrast to $3.38 and $2.53 per share in 1927 and 1926 respectively. Operations in the first quarter of 1929 produced a net profit equal to $2.91 per share and with manufacturing facilities hard put to keep up with the demand, it is quite probable that at least $10 and perhaps $12 per share will be earned in the full year. On that basis it would not be surprising if dividends were raised or supplemented by a larger "extra." It is also possible that a stock dividend will be forthcoming.

Where the shares are purchased and held for a reasonable period of time, regardless of intermediate market swings, they should prove a profitable commitment.

Fox Film Corporation

FOX Film is one of the principal members of the trio of Fox companies which together form the world's largest amusement enterprise. Loews', Inc., and the Fox Theatre Corp., now the controlling factor in Loews' destinies, the other members of this distinguished group.

The aggressive character of Fox Film's management is amply demonstrated, both by the company's earnings record and its policy of expansion, expressed in the rapid growth of earnings and assets. The close association of the theatres company and the film corporation, by virtue of their being owned by the same interests, suggests that eventually Fox Film may be consolidated with Fox Theatres Corp.



At present, however, Fox Film is an independent unit.

It ranks among the world's leading motion picture producers, distributors and exhibitors, and was one of the pioneers in the sound picture field. Early this year, the company announced that, following a long period of preparation and the expenditure of 15 million dollars on new studios, equipment and the like, production would be devoted exclusively to this new and popular form of entertainment.

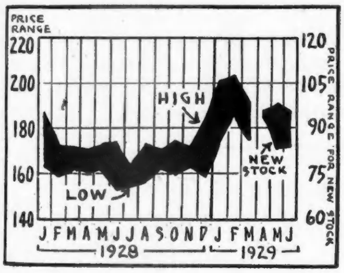
Fox Film and Fox Theatres jointly control 50% of the capital stock of Fox-Case Corp., holder of rights to the "Movietone" process, utilizing, under contract, the patents controlled by the Western Electric Co. The former's activities in this field, in addition to its own operations, include the sale of equipment to theatres other than its own.

Though there is no corporate connection between Fox Film and Fox Theatres Corp., the former has an extremely broad outlet for its production through the theatre chain of the latter, which is steadily being expanded. Fox Film itself went into the theatrical field last year when it acquired almost complete ownership of the Wesco Corp., operating approximately 250 houses, principally on the Pacific Coast. Incidentally, the Wesco acquisition gave Fox an interest in First National Pictures, Inc., since the Wesco Corp. had a one-third stock ownership in First National through its subsidiaries.

The benefits accruing to Fox Film from its active policy of expansion and the diversification of interests began to be reflected in 1928 earnings to some extent but seem likely to be more clearly evident in this year's reports. Net income last year amounted to 5.95 million dollars, equivalent to $6.47 a share for the combined Class A and Class B stocks, compared with 3.12 millions and $6.24 a share respectively in 1927. In the first quarter of the current year, a balance of $2.93 was reported. It is anticipated that this showing will be bettered in the second quarterly report. The third and fourth quarters are usually better than the first and second. In view of the benefits that will probably be derived in larger measure during coming months, from enlargement of the company's activities and markets, indicated earning power for the current year is in excess of $12 a share for the Class A stock selling around 90 on the New York Stock Exchange. *The moderate yield which this issue affords on the current $4 dividend basis, accordingly, appears amply compensated by the strong position of the company and the promising outlook.*

Borden Company

BORDEN, in substantially every respect, meets the essential requirements of present-day popular investment demands. The company has only the one capital obligation, common stock. Hence, this issue measures fully up to the common shareholder's ideal of unencumbered assets and a direct claim upon profits undiluted by bond interest or preferred dividend payments. Acquired companies, generally, have been taken over through an exchange of stock. Where cash has also been paid, the purpose of such payment is to retire existing bonded debt or preferred stock issues. Hence, the Borden subsidiaries, like the parent company, for the most part, have no senior obligations.



Inasmuch as the dairying business is an essential and stable industry, enjoying comparative freedom from variations of earning power, Borden fulfills one of the primary tests of a sound investment in this respect also. Even in its original guise as a distributor of fresh and manufactured milk products, the company bore a high reputation for consistency and growth of earning power.

Since the latter part of 1927, when it entered aggressively into the spirit of expansion and diversification common to the most progressive modern enterprises, acquisitions of ice cream, cheese, milk products and related companies have followed in rapid succession. Thus, in this direction, likewise, Borden meets another requisite of the desirable type of long pull investments.

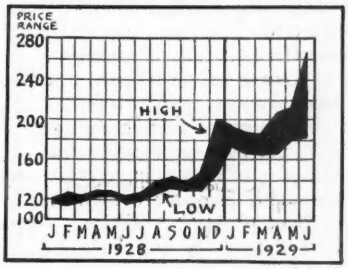
Ability to expand seems, on the one hand, limited only by the possibilities for internal growth represented in the absorption of desirable going concerns in the company's particular field. And again, on the other hand, external expansion is likely to be restricted solely by the rate of growth of the territories served. Since the Borden acquisitions now cover an extremely broad geographical scope, aside from its Canadian interests, this is equivalent to saying that the company's business may be expected to increase in proportion with that of the country at large. Moreover, operating as units of the Borden system, sales and earnings of absorbed companies are manifesting an acceleration of expansion characteristic of concerns merged into large combinations of this kind.

Per share earnings of the parent company, of course, have tended to lag somewhat behind the lively and progressive rise in gross revenues, owing to expansion in common share capitalization attending the numerous successive additions to Borden's fold. Earnings for the current year will probably show an increase over the $4.53 a share reported last year, however. Doubtless a dividend rate of $3 a share will be established on the present $25 par value shares, resulting from the recent two for one split-up of the $50 par value stock. At prevailing levels around 97, the 3% yield demonstrates that the stock market is taking some account of Borden's strong position and its substantial potentialities. *But for long term commitments the stock is a desirable holding, particularly since constant expansion suggests the probability of a liberalization of the cash return through further stock rights.*

Allis-Chalmers Manufacturing Co.

ALTHOUGH selling over 110 points above the year's low, the shares of the Allis-Chalmers Manufacturing Co., still offer considerable inducement as a long pull investment opportunity. The company has brilliant prospects for future growth which do not, however, appear to have been fully discounted in the market value of its shares.

Manufacturing a diversified line of heavy machinery and mechanical and electrical equipment, the company has shared heavily in the industrial and public utility expansion which has taken place during recent years. Sales have consistently established a new record in each year since 1921 and the 1928 volume which exceeded $36,200,000 was $3,000,000 greater



than the previous year and 75% over 1922 sales. Bookings in the current year have shown no abatement and orders on hand are larger than at any time since the war. New products, notably small tractors, have given considerable impetus to new business and profits in the last half of the year will doubtless show a substantial gain over the first six months. The development of another new product—Texrope—a power transmission belt said to be greatly superior in operating efficiency than any other similar product on the market, also bids fair to make important contributions to earnings.

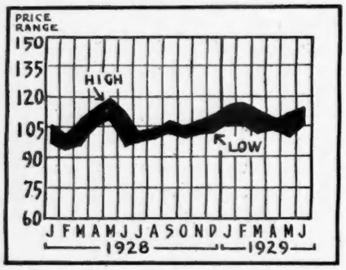
Owing to a capital readjustment involving the redemption of preferred stock and the substitution of an issue of 5% debentures with a saving of $750,000 annually, net income last year was somewhat under that for 1927 although per share earnings amounted to $11.28 as against $10.02 for the latter year. This is explained by the fact that fixed charges on the new bond issue constitute a prior deduction whereas preferred dividends are deducted from net income. At the present time there are 286,000 shares of common outstanding, 26,000 shares having been sold to stockholders at $140 per share earlier in the year. The company is in a strong working capital position with current assets showing a ratio to current liabilities of about 5 to 1.

While, dividends have been increased from time to time to conform with expanding earnings actually, however, payments have been conservative. The present rate of $7 has been in effect since the middle of 1928 but with current profits estimated at a minimum of $15 per share, there is a strong argument in favor of an upward revision. In this connection, it is possible that directors may elect to split up the stock accompanied by favorable dividend action.

By contrast with the shares of other companies engaged in a similar line of endeavor, the market value of Allis-Chalmers common stock is not unduly high and such comparison acquires further significance in the light of the company's clearly defined outlook.

Reading Company

IN pre-war days, Reading was a great speculative favorite and one of the then limited number of stock market leaders. This position it long ago yielded to other stocks and, in recent years, the stock has been something of a disappointment from the speculative standpoint. Since the O'Fallon decision brought the rail shares into greater prominence marketwise, however, and popular interest in the rails appears to be reviving, it would seem that Reading should regain some of its old market prestige.



Reading's scant 3.4% yield is not a very material factor in the situation, although the small return does, of course, make the stock rather unattractive to the buyer for income alone and possibly accounts also for the apathetic market action of the issue.

There are two other aspects of the Reading situation which considerably overshadow the negative influence of the small income return. In the first place, the road's current earnings prospects appear encouraging. Formerly, Reading's revenues were intimately affected by variations in coal traffic. Last year, for example, approximately 21% of the road's total tonnage was anthracite coal and about 33% bituminous. Depression in the coal industry caused a slump in per share earnings during 1927, when net fell from the $11.24 a share reported for 1926 to $7.64. Improvement was shown last year, when a balance of $8.79 a share was earned for the common stock.

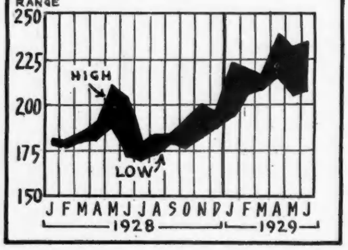
But, of late, the road has manifested ability to break away from its close dependence upon coal movements and the volume of miscellaneous freight traffic has increased. Gross revenues increased only 2.7% in the first five months of the current year, compared with the same period of 1928, yet net operating income gained nearly 11%. This marked gain in net, in contrast with the small expansion in gross, also indicates a high standard of maintenance and excellent physical condition. Apparently, the road is well situated to carry any later improvement in gross directly over to net per share income.

On the basis of results thus far shown, earnings for the full year may be estimated at a little less than $10 a share, without allowing for an additional estimated equity of something over $1 a share in the undistributed earnings of Central of New Jersey. At a price around 117, therefore, Reading common is selling between 10 and 11 times estimated 1929 earnings, a reasonable enough ratio to furnish a sound background for ultimate price improvement in the stock on the strength of Reading's strategic position in the eastern railroad merger situation.

It is this latter factor on which the real possibilities of the shares hinge and which, in a market that is growing concious of rail share possibilities, makes the stock a desirable long pull commitment under present conditions. *Reading itself, jointly controlled by New York Central and Baltimore & Ohio, still holds approximately 53% stock ownership of Central of New Jersey whose location and substantial property values are likely to induce sharp bidding, to the ultimate profit of Reading, when railroad consolidation plans enter a more active phase.*

American Telephone & Telegraph

IN a market expressing such decided preference for high grade investment issues as the current one has done, it would be an inexcusable over-sight to leave this old stand-by out of consideration. Year by year, American Telephone has risen higher in the esteem of investors. The performance of the stock during recent times, especially, is probably one of the truest indices of the trend of investment common stock values and the growing popularity of issues representing the stronger and more important of American corporate enterprises.



Since 1920, American Telephone has advanced consistently, touching a higher level in each succeeding twelve-month than that reached the year before. In 1928, the stock established a record high at 211, exceeding the former record of 186, touched in 1902. Only recently, the shares made a new high at 250. Possibly the prospective investor might regard this as a high price, particularly since the shares afford a direct return of but 3.6% on the basis of the current $9 cash dividend.

(*Please turn to page 634*)

Trade Holds Well Above Normal Summer Average

Recessions Toward End of First Six Months Still Leave Record Half Year in Trade Activity

STEEL

Summer Outlook Favorable

AFTER twelve months of record activity, steel manufacturers continue to maintain operations at a high rate with no apparent prospect of a marked reduction for the remainder of the year. The sustained demand is remarkable considering the extremely heavy consumption during the past year and although buying has declined to some extent, most consumers are reported to have small stocks on hand. Orders are evidently being placed to cover current needs only.

At the best, however, buying is only a fair index of potential demand because the buyer places specifications commensurate to his opinion of pres-

(Please turn to page 636)

COMMODITIES*

(See footnote for Grades and Units of Measure)

	1929 High	1929 Low	1929 Last
Steel (1)	$36.00	$33.00	$35.00
Pig Iron (2) ...	18.50	17.50	18.50
Copper (3)	0.23½	0.16¾	0.17⅞
Petroleum (4)...	1.45	1.20	1.45
Coal (5)	1.70	1.60	1.60
Cotton (6)	0.21½	0.18	0.18
Wheat (7)	1.65⅜	1.24⅛	1.49
Corn (8)	1.17¼	0.98¼	1.08⅝
Hogs (9)	0.11¾	0.08⅞	0.11¾
Steers (10)	17.00	14.25	16.25
Coffee (11)	0.18½	0.16¼	0.16¼
Rubber (12) ...	0.26⅛	0.18⅝	0.23⅛
Wool (13)	0.45	0.38	0.38
Tobacco (14) ...	0.14	0.14	0.14
Sugar (15)	0.03⅞	0.03½	0.03⅞
Sugar (16)	0.05¼	0.04⅞	0.05¼
Paper (17)	0.03¼	0.03⅛	0.03⅛
Lumber (18) ...	25.38	24.30	24.90

*July 16, 1929.

(1) Open hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, steam mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 2 Yellow, New York, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium, Burley, Kentucky, c. per lb.; (15) Raw Cubas, 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. $ per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—Although protracted hot weather and failure of some production units have caused another slight decrease in output, a comparatively high average is still maintained. On the whole, prices seem firm and demand shows no material abatement. Important mergers in prospect add to the present favorable outlook.

METALS—The copper situation continues basically unchanged even though predicted heavy buying has not yet materialized to any marked degree. Demand, however, is fair and price is steady. Lead quotations have dropped without any apparent effect on demand and zinc stocks have increased but price is stable.

PETROLEUM—Production continues to register increases and curtailment is placed farther in the future. Meanwhile stocks mount but gasoline prices are strengthened by unusually heavy consumption. No change is noted in the status of crude oil and sustained demand may keep the situation firm.

WHEAT—Bullish market sentiment has been given further impetus by further reports of short crops due to bad weather and grain disease in producing areas. Exports have increased and notices from Australia and the Argentine are unfavorable for large crops. Recent price gain, one of the most striking since the war.

SUGAR—With raw sugar selling below production costs, heavy stocks accumulating and the tariff increase threatening Cuban producers, there is little prospect for relief in this field for some time. Heavy consumption, however, is keeping the refining situation from becoming acute.

CANNING—Generally heavier pack for this year seems indicated with increases in principal canning crops; tomatoes, peas and corn. Nevertheless, can manufacturers are limiting specifications for tin plate until actual demand may be estimated with greater accuracy.

COAL—Production increases in bituminous, anthracite and beehive coke seems justified in view of present heavy rail and industrial consumption. No report has been made of unusually large stocks and a gain in anthracite wages and employment has been noted.

BUILDING—F. W. Dodge reports show a June building decline of 7% from May and 16% from June, 1928. A half year decrease of 12% from last year is also noted. Heavy construction, however, continues strong, registering a six months' increase of 26%. Some improvement is expected with less stringent credit conditions.

RETAIL TRADE—With the exception of increased volume in seasonal and holiday lines, retail trade seems to be in the normal summer doldrums and no important developments are expected before late summer. The number of business failures has decreased and in general conditions are healthy.

SUMMARY—Although activity in general is showing a slight decline, operations are being maintained well above the normal seasonal average and there is little prospect for much further recessions this Summer.

Building Your Future Income

AN INFORMATIVE DEPARTMENT ON ESTATE BUILDING

"Spending Power"

EVERYONE is probably familiar with that all important, albeit intangible, force, Buying Power. It is the factor that production managers of great industries seek to gauge, it guides the policies of wholesale buyers, advertisers and retailers and constitutes one of the greatest single elements in the prosperity of our nation. Academically, Buying Power may be said to be more or less fixed within a reasonable interpretation of stability. Every family spends each year a certain portion of its income for such essentials as shelter, food and clothing. The sum total of these expenditures is the backbone of Buying Power. While the amount spent for essential needs tends to vary in many families with the tide of their fortunes, the greatest change is wrought by the growth in population and is pronounced only when comparison embraces a considerable period of time.

What is it then that has made possible the ever-increasing production of automobiles, the insistent demand for the most modern conveniences, the ceaseless traveling of our countrymen throughout the world, and other evidences of prosperity everywhere? Manufacturers of radio equipment, motor boats, amateur moving picture outfits, jewelry, purveyors of all manner of amusement and a host of other retailers of, strictly speaking, non-essential products have felt the force of this other element and have prospered. Our older neighboring nations look at us enviously. They are amazed at our ability to surround ourselves with creature comforts and they seek to find the answer in the more profound economic tracts. The answer is plainly "Spending Power," a natural product of our high standard of living and its potency as a contributing factor in the prosperity of our country is undeniable.

In a recent interview, Frederick H. Ecker, president of the Metropolitan Life Insurance, an institution with assets of nearly three billion dollars, stated, "Thrift is a virtue but it may be turned into a vice and though there is an impression that the country is spending its whole income, such is far from the case. We are constructively thrifty. We are saving about 15% a year and that is probably enough, or at least no one can properly say that it is too little."

Control of this important factor is very obviously vested with the American family. Real thrift holds no brief with penuriousness and prudent spending is as much a part of a well thought out financial program as the regular saving of a portion of one's income. Neither should the pendulum be allowed to swing too far in the opposite direction of extravagance. It is within the ability of everyone to chart a middle course producing both comfort and peace of mind. The wise expenditure of income is its own reward and a substantial contribution to national prosperity.

Building Your Future Income

A College Professor's Investment Program

Showing How Systematic Investing Has Given the Writer a Profitable Diversion

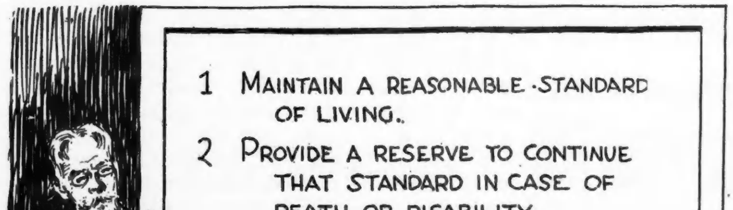
By H. H. Davis

As a member of that notoriously impecunious group known as "absent-minded professors" I offer the following remarks concerning my investment program.

Along with the rather well known financial disadvantages of university teaching go two fairly definite advantages. These are, reasonably secure salary and tenure of position, and a daily work so far removed from finance that investment can be taken up as a hobby. If business men find diversion in the sport sheet then why not the financial page as relaxation for the scholastic individuals?

The financial problems of the college teacher do not vary in kind from those of other groups, however much they may vary in volume. The same three basic items of income, custody and expenditure are present with us as with others and will be considered below.

The source of income comes under three heads: salary, incidental income from lectures, writing and the like and income from investments. How these expenditures must be made, is illustrated in the accompanying drawing. The problem of custody has to do with the wise investment of the funds under the third and last of these points.



After making the above analysis of the problem some four years ago, I set about formulating a program that would care for the various phases of it.

The first step was to set up a budget such that the salary income would cover all of the first four items and contribute to the fifth. This was in order to leave free the incidental income and the income from investments. The former because it is uncertain and does not lend itself well to budget procedure, the latter because one should not depend upon income from his savings while he is in full earning power.

The next step was to provide for emergencies of death or disability by taking out life insurance policies. One of these was in the form of an educational policy for our small son. The matter of a fund for temporary emergencies was settled by taking our "first thousand" of savings and investing it in: $200 Liberty bonds; $200 Utility bonds; $200 Railroad preferred stock; $200 Utility preferred stock; $200 Industrial preferred stock.

Since this was an "emergency" fund and hence to be secure, only the highest grade securities were bought. Commonwealth Edison in the bonds and Union Pacific, United States Steel and Quaker Oats in the stocks. The diversification of course adds to the security. While this was bought too late to get in on the really cheap days of the early '20s the price paid was such as to give a yield of slightly in excess of 5%.

The reserve for higher education was established through purchase from time to time of certificates of deposit in (*Please turn to page* 630)

A Wise Parent Looks to the Financial Education of His Children

Sound Investment Counsel That Comes From Far Off Shores

By "Missionary"

Dear "Mary and Martha":

Girls of school age may wisely learn the ways and early get into the habits of taking care of money, bank accounts, endowment life insurance and simple investments. Your mother and I have already started you off on all these lines and I hope you are becoming "familiar with the ropes." At this stage of affairs in America it is possible for most girls as well as boys to enter into these things if they really try to do so. Your mother and I have talked in your presence more freely than most parents do about their business affairs because we wanted you to know about them and get ready to handle your own. Now that you are away at school and we may never live together for long periods again I want to give you a short financial history of our family. It may be suggestive and helpful.

You remember that my father was an invalid for the last 11 years of his life. In the meantime mother made most of our living by renting our upstairs rooms. Nevertheless, even under such conditions and while the severe stress of putting us four children through school and college was on them, they urged me to take out $2,000 of endowment life insurance. I was in high school then and as it was to cost me $94.06 a year I complained at the suggestion of such a burden. Mother agreed to help, however, and for 15 years we paid this money. I helped support the family and earned a good deal of it working early mornings before school and on holidays as janitor in two of the city banks and our church.

It was rather difficult at times but five years after I had paid the last annual premium and after your mother and I were married and we had become foreign missionaries, a letter came from the Mission Board office saying: "We have a check from the insurance company made out to you for $2,156. What shall we do with it?" It almost took my breath away. We had ceased to think about the matter for there had been nothing to pay and no correspondence for five years. During this time the annual dividends had been meeting the amounts due each year. The company was a mutual one and the insured shared in the prosperity of the organization. This was the first time that I ever felt the joy of financial achievement and of being somebody in a business sense.

We did not know much about business investments then, but we did the right thing as I see it now. We wrote for the advice of the president of a large and successful bank and asked him what we should do with the money. He had us put it into high grade first mortgage railroad bonds. For a number of years we received a welcome income from these but afterward on the advice of our bank we sold them and bought Japanese government bonds increasing the annual income from $80 to $112. In less than a year and a half we sold the Japanese bonds at an increase and put the proceeds into three different issues diversified to include a public utility, railroad and industrial company. There was a balance of cash left which we used as the first payment on another bond, purchased on the installment plan. These bonds were held for six years and then sold at a profit of $450.19.

With the interest that had been coming in during these years we bought other high grade bonds. We would buy $500 or $1,000 par of well recommended bonds and pay down all the cash we could get together, perhaps $250 on $500 worth of bonds. The bank was glad to lend us the balance

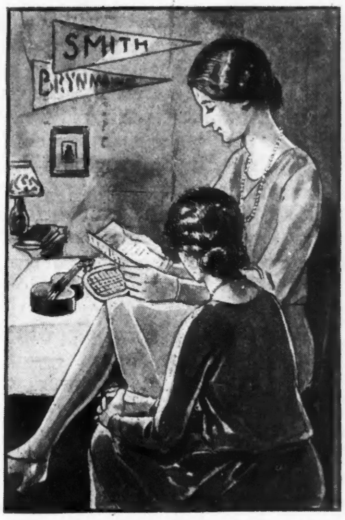
Building Your Future Income

necessary to make the purchase, retaining the bonds as security. As fast as interest came in it was returned to the bank to pay off the loan they had made us. In addition to the interest we became so eager to pay off each loan and start on a new purchase that we tried to save where otherwise we would not have done so if it had not been for the joy of the undertaking. The experience of gradually becoming stronger and stronger financially and realizing that you are approaching a condition of independence is one of the real pleasures of life. I think it comes more to those who adopt a regular and well-thought-out conservative system than it does to those whose financial efforts lie along the line of taking chances on the rise and fall of uncertain stocks or other holdings of a fluctuating character.

By 1927 our bonds had gained substantially in market value and we sold some of them, reinvesting the proceeds in Building and Loan Association shares. Various disinterested financial organizations recommend Building and Loan shares as safe investments if the best associations are chosen. The Department of Commerce at Washington also does the same. In addition, however, I personally looked into the character of the eight associations in four different states in which I invested our family money.

The chosen associations have millions of dollars each, invested in first mortgages on small homes on which they never loan more than 60% of the conservatively appraised value of the property and the average amount loaned at a given time is nearer 40% due to gradual liquidation of loans by the borrower. I have put quite a portion of our money into Florida and Colorado associations because these states pay 7 and 8% owing to the heavy demand for money in these newer communities. Although I think these associations are safe I did not put too much into any one as there is greater safety secured by scattering funds among a number of them. If one should fail it would not be too heavy a blow.

Your mother and I are trying to increase our holdings in such associations, as well as in high grade bonds, so that we will have sufficient income to give you both a good education and if we retire from the mission field and go to live in America for our last years we will be comfortable and independent. Our holdings today are worth $29,113.70 and bring in $2,018.04 annually or about 7%. On the basis of what they cost us the rate is over 7% for most of the bonds have enhanced in value since we bought them.



Of course, this $29,000 has not all grown from the original $2,156.00 endowment life insurance payment of which I spoke. We have had other sums come to us at various times and have tried to handle them carefully and wisely as we did the endowment insurance payment.

When we first went to our mission station there was no Western style house to live in. We lived in a native house but believing that our mission authorities would build for us in a few years we began to buy some land, piece by piece, with our own money, taking most of it from our salary income. We made eight buys through a period of a couple of years until we had a place large enough for a house and garden. But when the authorities came to build for us they did not take our land. They preferred another place and we had to hold that land for ten years. In the meantime the city was modernized and became progressive and the value of our property doubled its original cost. It was sold and we found ourselves with the second block of principal, $1,550 with which we bought Liberty bonds at 87 and sold them after a year and a half for 100.

In 1920, when your uncle died he left mother about $4,500. I have tried to handle this money as a trust fund. That means, for one thing, to run no risks of losing the principal by poor investments. Mother wants this fund kept and increased until her death and then divided equally between you. I have agreed to see that this is done, if she dies first. We have been giving regularly $100 in Christmas presents to relatives from the interest, yet

This stirring message on thrift and common sense investment methods was written for two little girls in New England by their father several thousand miles away, who permits us to present it here in the hope that the wise counsel it contains might be helpful for inexperienced investors.

Building Your Future Income

the estate has increased in value until it is now worth $8,660. It will have doubled in value by Jan. 1st, 1930. That will be ten years.

This splendid success has been achieved by re-investing the interest as rapidly as it comes in and being careful to limit investments to high grade bonds, the best Building and Loan Association shares and first mortgages on real estate which our bank recommends and handles for us. This latter point is very important in my estimation. I am not content with merely their recommendation of a mortgage. I want them to handle such mortgages for us. When doing this they will exercise care and are far better equipped to do it properly, without losses, than we are.

I have $17,000 in life insurance of which the last payment has been made on $5,000. The former sum will come to mother in case of my death. Also I am carrying $3,500 in endowment life insurance that will be paid us in March, 1936. I am enrolled also in a missionaries' retirement fund and this means that I am paying $23.50 monthly to the fund. Our board is paying a like amount. When I arrive at the specified age it will be my privilege to leave the mission work, if I choose, and receive regularly the sum of about $2,000 per year.

In the above history I have not told you the mistakes that I have made. Here are some of them:

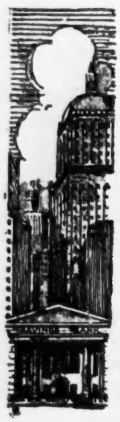
Just after the Great War I listened to a bank official who said that investment in German marks was a good thing as the German people were sure to "come back" to prosperity. The German people are "coming back" but our $400, invested in the old money of their country, is not coming with them. It is a complete loss. The course of events reduced their money to nothing and then their government started a new money system which did not include our marks.

Again, we thought a certain real estate investor was a good friend of ours and would look out for our interests. We let him invest $1,200 and handle it for us. He perhaps meant well at first but his wife was extravagant. He had to have money and gradually turned over to us second and third mortgages on inferior real estate which, about the time he moved away, proved to be worthless.

I have also made the mistake of trying to get too large a rate of interest from some of the bonds I bought. The reason they were bringing such large interest was because the people who know about such things would not buy them unless they offered the large rate. They were not safe enough to lead careful investors to put their money into them so the promoters had to bid for investors by offering the high rate. I "bit" because I thought it would be fine to receive such a splendid income. But they were not safe and some of them ceased to pay any interest at all. Some went into the hands of a receiver and in the end we only got back a part of the money we put into them. It has been my experience that I do not have as much money at the end of a period of years when I try

(Please turn to page 622)

BYFI RECOMMENDS—



For Savings

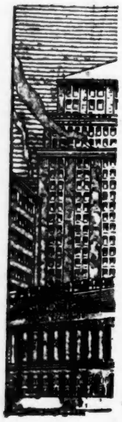
1. **SAVINGS BANKS.** A convenient depository for the accumulation of regular or intermittent savings at compound interest. Funds are always available and may be withdrawn as soon as they reach suitable proportions for employment in more profitable medium.

2. **BUILDING AND LOAN** shares serve as convenient, long range (10 to 12 years) mediums for the accumulation of savings. Through regular monthly payments this form of savings also possesses the element of gentle compulsion.

3. **ENDOWMENT INSURANCE** is a means of securing insurance protection and at the same time accumulating savings. Also possesses merit of regularity in savings but in view of small return, should not occupy too large a place in the accumulating program.

For Investments

Security	Recent Price	Yield %
1. Illinois Central 40-Year 4¾s, 1966	99	4.9
2. Public Service Elec. & Gas. 1st & Ref. 5s, 1965	102	4.9
3. Standard Oil of N. Y. deb. 4½s, 1951	95	4.9
4. Western Pacific 1st 5s, 1946	98	5.2
5. Youngstown Sheet & Tube 1st SF. "A" 5s, 1978	100	5.0
6. New York Steam 1st "A" 6s, 1947	106	5.5
7. Chesapeake Corp. Conv. Coll. 5s, 1947	99	5.1
8. Associated Dry Goods 1st 6% Pfd.	90	6.7
9. Hudson & Manhattan Conv. 5% Pfd.	76	6.6
10. Southern Pacific Common $6	146	4.1



The BYFI Recommendation Table is intended primarily to serve as a constant guide to inexperienced investors through the early stages of their income building program. On the left, the advantages of each of three principal mediums for accumulating regular savings are outlined. On the right, a progressive tabulation of investment securities suitable for the employment of sums accumulated through savings is presented. These issues, if purchased in the order listed are intended for a permanent investment, and as such, will ultimately provide a sound backing of income producing securities, affording safety of principal, fair return, and offering the protection of diversity.

Building Your Future Income

The Most Suitable Annuities For The Business Man and His Family

—and Other Insurance Problems

By Florence Provost Clarendon

Insurance Editor:

I have been a subscriber of The Magazine of Wall Street *for several years and wish to have information regarding annuities.*

I was born October 24, 1862, was refused $5,000 policy life insurance in September, 1921, as I had undergone two major surgical operations in the previous six years, but am in actual practice.

My estate amounts to about $80,000 and I am thinking of investing in an annuity with $50,000 about as follows:

Annuity for myself during my life; annuity for my wife after my death if she outlives me. She was born July 26, 1862, and is in good health; after her death annuity for or cash payment to each of my two daughters, one of whom was born October 1, 1885, is a teacher and is in good health and the other was born June 15, 1891, is my office assistant and is in good health.

Do you advise annuity? Would you make any change in the plan or the amount invested? About what amount of annuity would I receive? About what amount would my wife receive? Would you advise annuity for both daughters if both were living after the death of both parents with cash payment to the survivor after the death of the other daughter?—A. M. T.

You ask regarding annuities, and I would suggest that you consider a Joint and Survivor Annuity for yourself and your wife. This is probably a simpler form than that which you set forth in your letter. For example, a cash payment of less than $12,000 would furnish an annuity of $1,000 a year, payable to yourself and your wife jointly, and continuing so long as either one of you might survive. This is the most complete provision for old age of married people that can reasonably be made.

Your problem is complicated by the fact that you wish to leave an annuity to each of your daughters. They are self-supporting at the present time, and are likely to continue so for 10 or 15 years. It might therefore be sufficient if you were to provide a joint will by yourself and your wife that at the death of the last survivor a considerable portion of your estate be applied to purchase a Joint and Survivor Annuity at that time for your two daughters.

A program of this kind would provide something like the following:

(1) An income of $4,000 a year payable in semi-annual instalments to yourself and your wife so long as either of you may live;

(2) A trust fund of about $30,000, more or less, available at the death of the survivor or yourself and your wife to purchase a Joint and Survivor Annuity for your two daughters. Probably this purchase would not be made for 15 or 20 years to come, and at that time your daughters would be approaching old age, and would probably be glad to be relieved of any necessity for earning a livelihood.

Investment Insurance

Insurance Editor:

Will you kindly give me some advice as regards my insurance needs? I am a young man of 30, earning close to $1,200 a year and saving, since the death of my mother a year ago, between four and five hundred a year. After my mother's death I gave up my straight life insurance as I have no one else to whom I owe such protection and do not expect to marry. However, I feel I should have some sort of insurance protecting myself, as I have none upon whom I could rightfully depend in case of disability or prolonged sickness and am, although not diseased, rather frail.

Just what type of policy would you recommend for me? I should not believe a policy with an endowment feature advisable, as I am of a very saving nature anyway.—A. E. B.

You have no dependents at present, you say, and do not expect to marry. Of course you are a young man and may change your decision in regard to "single blessedness." In that event you would need life insurance protection again for a beneficiary. If you took out an Endowment policy now, it would cover either contingency—your provision for a beneficiary in case of death, and your building fund for maintenance when you are older. Thus an Endowment at age 60 would answer both of these requirements, giving protection to a beneficiary over a long period of years, and—in the happy event

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·SERVICE·SECTION·

ANSWERS TO INQUIRIES

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1. ***Be Brief.***
2. ***Confine requests for an opinion to THREE SECURITIES ONLY.***
3. ***Special rates upon request to those requiring additional service.***
4. ***Write name and address plainly.***

SKELLY OIL COMPANY

It seems to me that Skelly Oil common is greatly undervalued. With earnings for the first half of this year expected to approximate $3, I think this stock should sell well over $50. Is peak oil production the only important factor retarding an advance in Skelly?—M. G. N., Mason City, Iowa.

From the apparent indications, you are justified in believing Skelly Oil common stock to be undervalued. During the past several years, the company has undertaken an aggressive expansion program, as a result of which it is now a completely integrated enterprise. Output in the current year is about double that for the corresponding period of 1928 and is averaging approximately 25,000 barrels daily, with prospects that the average for the last six months will be substantially higher. Refining facilities have a daily capacity of 23,000 barrels and are supplemented by 20 natural gasoline plants, 400 miles of pipe line and a fleet of 1,000 tank cars. Marketing is effected through a chain of more than 400 bulk and service stations in a territory embracing 11 states. Profits in 1928 were equal to $3.76 per share on the common stock, a decided improvement over results in the previous year when only $1.32 per share was earned. The improvement has been sustained thus far in the current year, $1.07 per share having been reported for the first quarter. Given the benefit of reasonably favorable conditions, it is quite likely that results for the full year will compare favorably with the previous record established in 1926 when the common stock earned $5.20 per share. Important financial interests are now represented in the company's directorate and it is possible that plans tending toward an important merger are in the making. The shares must be regarded as a speculation involving something more than an average degree of risk but nevertheless, appear to have interesting possibilities as such, and present holders seem warranted in retaining with a view to developments.

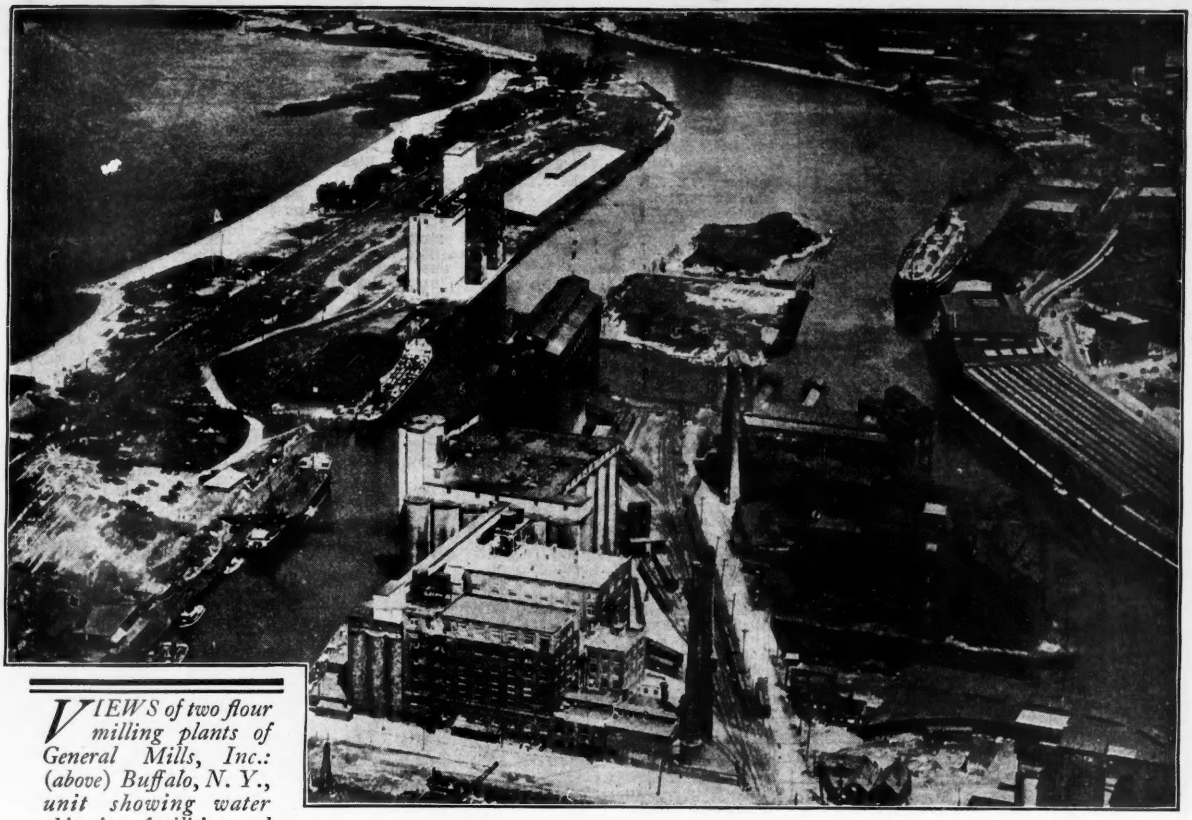
THE AMERICAN TOBACCO CO.

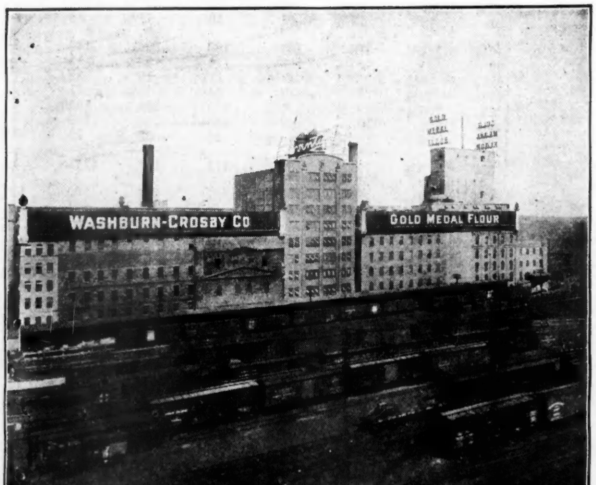
Due to its recent advance I can now get out even on 40 shares of American Tobacco which I have held since January. Would you counsel selling or holding with the hope of participating in the split up that is generally anticipated?—S. A., Sacramento, Calif.

About one-third of the cigarette and smoking tobacco business in the United States is concentrated in the American Tobacco Co., which places the company in the position of unquestioned leadership in a highly competitive industry. For five consecutive years earnings have achieved a new high level, a notable record made in the face of intensive competition created by aggressive rivals, and narrower profit margins. While, the consumption of tobacco, particularly cigarettes, has increased tremendously in late years, a large portion of the company's progress may be attributed to the wisdom of the management in concentrating sales efforts on the leading brand of popular-priced cigarettes, "Lucky Strike." Annual advertising appropriations are unusually heavy but have been fully justified by the results obtained. Last year, in spite of the handicap imposed by the reduction in manufacturers prices, earnings amounted to $11.19 per share on the 1,952,917 shares of combined common and class B stock. Dividends were covered by an ample margin, in fact sufficiently so to give some weight to the possibility of an increase in the present $8 rate. There is nothing to indicate that the rumored splitup of the common and B stock is a nearby probability but action along that line at some future date would be logical and in keeping with the tend-

(Please turn to page 625)

When Quick Service Is Required Send Us a Prepaid Telegram and Instruct Us to Reply Collect




WASHBURN-CROSBY CO
GOLD MEDAL FLOUR

New York Stock Exchange

RAILS

	1927 High	1927 Low	1928 High	1928 Low	1929 High	1929 Low	Last Sale 7/17/29	Div'd $ Per Share
A								
Atchison	200	161¾	204	182⅞	258⅞	195⅛	258⅝	10
Do Pfd.	106¾	99⅜	108½	102½	103⅞	99	100½	5
Atlantic Coast Line	205½	174⅞	191½	157⅛	209½	169	205¾	‡10
B								
Baltimore & Ohio	125	106½	125⅝	103¾	134	115⅛	132¾	6
Do Pfd.	83	73¼	85	77	80½	75	75¾	4
Brooklyn-Manhattan Transit	70⅞	53	77¾	53⅜	81⅞	59½	59⅛	4
Do Pfd.	88	78⅛	95⅜	83	92⅝	53	83	6
C								
Canadian Pacific	219	165	253	195½	265⅞	218	246⅛	10
Chesapeake & Ohio	218½	151¾	218¾	175½	275½	195	272½	10
C. M. & St. Paul & Pacific	19¾	9	40½	22¼	40½	27¾	39⅛	..
Do Pfd.	37½	..	59⅝	37	63¾	46⅛	60⅛	..
Chicago & Northwestern	97½	78⅜	94¼	78	96⅛	80¼	93⅞	4
Chicago, Rock Is. & Pacific	116	68½	139⅝	106	142⅞	115	141	7
Do 7% Pfd.	111¾	102¾	111½	105	108¼	105⅛	106	7
Do 6% Pfd.	104	95¼	105	99⅛	102⅞	98½	100	6
D								
Delaware & Hudson	230	[illegible]	226	163¼	222¼	182	217½	9
Delaware, Lack. & West.	173	130⅛	150	125¼	146¼	120¼	143¾	‡7
E								
Erie R. R.	69¾	39½	72½	48¾	83½	64	81	..
Do 1st Pfd.	66¼	52⅜	63⅞	50	66¼	57	63½	4
Do 2nd Pfd.	64½	49	62	49¼	63⅞	56	61½	4
G								
Great Northern Pfd.	103⅞	79⅝	114¾	93⅛	125¾	101	125¾	5
H								
Hudson & Manhattan	65⅞	40½	73½	50⅛	58⅜	34½	44½	2½
I								
Illinois Central	139⅝	121⅛	148¾	131¾	152	132⅛	149⅞	7
Interborough Rap. Transit	52⅛	30½	62	29	58⅜	22⅜	†22	..
K								
Kansas City Southern	70¼	41¼	95	43	105	78	102⅛	5
Do Pfd.	73½	64⅞	77	66½	70⅛	63½	†65	..
L								
Lehigh Valley	137½	88⅛	116	84⅛	102¼	77¾	95¼	3½
Louisville & Nashville	159⅛	128⅜	159½	139⅜	153½	138½	151	7
M								
Mo., Kansas & Texas	56½	31½	58	30⅛	64½	42½	63⅜	..
Do Pfd.	109½	95¾	109	101½	107½	102	106⅜	7
Missouri Pacific	62	37⅞	76¼	41⅞	101⅜	62½	98⅜	..
Do Pfd.	118⅝	90⅛	126⅞	105	146⅛	180	144⅛	5
N								
New York Central	171½	137⅛	196⅛	156	238½	178⅛	233⅛	6
N. Y., Chic. & St. Louis	240½	110	146	121¼	162⅜	128⅛	†157	..
N. Y., N. H. & Hartford	63¼	41⅝	82¾	54⅜	115	80⅞	113⅛	4
N. Y., Ontario & Western	41¾	23¼	39	24	32	23½	27	..
Norfolk & Western	202	156	198½	175	263	191	260½	‡10
Northern Pacific	102⅛	78	118	92⅜	115¾	95½	114⅞	5
P								
Pennsylvania	68	56¾	76⅞	61⅞	99	72½	97	4
Pere Marquette	140½	114½	154	124⅞	203¾	148	201½	‡8
Pittsburgh & W. Va.	174	122½	163	121¼	148¾	125⅝	145⅛	6
R								
Reading	123¾	94	119⅜	94¼	126⅞	101½	125	4
Do 1st Pfd.	43½	40⅛	46	41⅛	46	41½	46	2
Do 2nd Pfd.	50	43¾	59⅞	44	50	49¼	50	2
S								
St. Louis-San Fran.	117¼	100¾	122	109	133	109½	131	8
St. Louis-Southwestern	93	61	124⅛	67½	115¾	82	112	..
Seaboard Air Line	41¼	28⅛	30½	11⅝	21¾	12	17	..
Do Pfd.	45⅜	32⅛	38	17	24½	16¼	21	..
Southern Pacific	126⅞	106¼	131¼	117⅝	146½	124	145⅝	6
Southern Railway	149	119	165	139½	160½	138	158	8
Do Pfd.	101⅛	94	102¼	96⅝	99	93	95	5
T								
Texas & Pacific	103⅞	53⅞	194⅝	99⅛	181	155	†175	5
U								
Union Pacific	197¾	159½	224⅞	186⅛	271	209	269	10
Do Pfd.	85¾	77	87¼	82½	84⅜	81	†81	4
W								
Wabash	81	40⅛	96¼	51	81⅜	60	72⅛	..
Do Pfd. A	101	76	102	88⅛	104⅞	91	92½	5
Do Pfd. B	98	65	99½	87	91	79	†83½	..
Western Maryland	67⅞	13¾	54¾	31¾	54	32½	49⅜	..
Do 2nd Pfd.	67½	23	54⅞	33½	53½	38½	†48½	..
Western Pacific	47½	25⅛	38½	28¼	41⅞	32	39¾	..
Do Pfd.	76⅝	55	62⅛	52½	66¾	56	65	..

INDUSTRIALS AND MISCELLANEOUS

	1927 High	1927 Low	1928 High	1928 Low	1929 High	1929 Low	Last Sale 7/17/29	Div'd $ Per Share
A								
Abitibi Power & Paper	150¼	83	85	36¼	54⅞	38⅛	42¾	..
Abraham & Straus	118¾	62¼	142	90	159½	101	†120⅛	..
Advance Rumely	15¾	7⅝	65	11	104⅞	27	38	..
Air Reduction, Inc.	199⅛	134⅛	99⅝	59	179	95⅛	179	3
Ajax Rubber, Inc.	13¾	7½	14⅜	7½	11¼	4⅛	5⅛	..
Allied Chemical & Dye	169¼	131	252¾	146	346¾	241	337	6
Allis Chalmers Mfg.	118¾	88	200	115⅛	284	166	281½	7
Amer. Agricultural Chem.	21½	8⅛	26	15⅝	23⅝	10⅛	12⅝	..
Amer. Bank Note	98	41	159	74¾	148⅞	110	147½	3
Amer. Bosch Magneto	26¾	13	44⅜	15⅜	73¼	40⅛	55¼	..
Amer. Brake Shoe & Fdy	46	35½	49⅛	39⅞	62	45	56⅛	2.40
American Can	77⅝	43⅝	117½	70½	169	107¾	162¼	‡4
Amer. Car & Fdy.	111	95	111½	88¼	106½	92	103¾	6
Amer. & Foreign Power	31	18⅞	85	22⅝	138⅞	75¼	127	..
American Ice	32	25¾	46⅜	28	48⅛	38	46	‡3
Amer. International Corp.	72⅜	37	150	71	78½	52½	78⅛	2
Amer. Metal Co., Ltd.	49⅜	36⅛	63¾	39	81⅜	50	65⅜	3
Amer. Power & Lt.	73⅜	54	95	62¼	150½	81⅛	149⅞	1
Amer. Radiator & Stan. Sanitary	147⅞	110½	191½	130⅛	54½	40⅛	54	1½
Amer. Safety Razor	64⅞	42	74⅞	56	74¾	61	65	‡5
Amer. Smelting & Refining	183¾	132⅝	293	169	124¾	93⅛	106¼	4
Amer. Steel Foundries	72¾	41½	70⅜	50⅛	79⅞	56	67⅛	3
Amer. Sugar Refining	95¾	65¼	93⅛	55	94¾	71⅛	84	5

Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1927		1928		1929		Last Sale 7/17/29	Div'd $ Per Share
A	High	Low	High	Low	High	Low		
Amer. Tel. & Tel.	185½	149¼	211	172	250⅞	193¼	247	9
Amer. Tobacco Com.	189	120	184¾	152	186½	160	179¾	8
Amer. Type Founders	146	119⅞	142¼	109⅞	155	136½	147	8
Amer. Water Works & Elec.	72⅛	46	76½	52	148½	67¼	133¼	1
American Woolen	33⅜	16½	32⅜	14	27⅞	16⅛	17½	..
Amer. Zinc, Lead & Smelt.	10¼	5¾	57	6⅜	49¼	22⅛	24	..
Anaconda Copper Mining	60½	41¼	120¼	54	140	99	111¾	7
Armour of Ill. Cl. A	15⅞	8¼	23¼	11¼	18⅜	10⅝	12	..
Do Cl. B	9⅛	5	13⅛	6⅜	10¼	5⅝	6¾	..
Arnold Constable Corp.	55½	21	51¾	35¼	40⅞	19	19⅝	..
Assoc. Dry Goods	53⅝	39½	75½	40¼	70¾	43	46	2½
Atlantic, Gulf & W. I. S.S. Line	43⅛	30⅜	59⅞	37⅛	67¾	32⅛	†60½	..
Atlantic Refining	131⅜	104	66½	50	77⅞	53½	68¾	‡1½
Austin, Nichols & Co.	10¼	4¼	9¼	4⅜	10	5½	6	..
B								
Baldwin Loco. Works	265¾	143½	285	235	271½	210	†236	7
Barnsdall Corp. Cl. A	35½	20¾	53	20	49⅝	38⅛	40	‡2¼
Beech Nut Packing	74¼	50¼	101¼	70⅜	101	73	82	3
Bethlehem Steel Corp.	66½	43¾	86⅜	51⅞	120	82½	116⅜	4
Borden Company	169	167½	187	152	100½	83⅛	95⅝	3
Briggs Mfg.	36⅜	19⅛	63⅜	21⅛	63⅛	30¼	35⅛	..
Bucyrus-Erie Co.	31	21½	48¾	24½	42¾	25⅛	†31½	..
Burns Bros. new Cl. A Com.	125¾	85½	127	93½	127	96¼	103	8
Do new Cl. B Com.	34¾	16¼	48⅜	15⅞	39	22⅝	32	..
Byers & Co. (A. M.)	102¾	42	206¾	90½	192⅞	122¾	141¾	..
C								
California Packing	79	60¼	82⅝	68½	82⅞	72⅛	81⅛	4
Calumet & Arizona Mining	123½	61⅛	138	89	135	123	127⅞	10
Calumet & Hecla	24¾	14¼	47⅜	20⅛	61⅞	36⅝	40⅝	4
Canada Dry Ginger Ale	60⅛	36	86½	54⅞	98¾	78	95⅜	5
Cerro de Pasco Copper	72½	58	119	58½	120	88⅝	95	6
Chile Copper	44⅜	33⅛	74⅞	37⅜	127⅛	71⅜	†72⅝	3½
Chrysler Corp.	63½	38⅛	140½	54¾	135	66	71⅝	3
Coca Cola Co.	199½	96½	180½	127	148½	120⅝	142⅛	4
Collins & Aikman	113⅜	86	111¾	44⅛	72¼	48	51⅛	..
Colorado Fuel & Iron	96⅜	42⅝	84½	52½	78½	56	63	..
Columbian Carbon, V. T. C.	101¼	66⅞	134¾	79	207	121¼	198¼	‡4¾
Colum. Gas & Elec.	98¾	82⅞	140⅞	89½	91⅜	53½	88½	2
Commonwealth Power	78¾	48⅝	110½	62¼	246	107¼	225	4
Congoleum-Nairn, Inc.	29¾	17¼	31½	22	35¾	19½	23⅞	..
Congress Cigar	88½	47	87¼	67	92⅜	67	72½	‡5½
Consolidated Gas of N. Y.	125¾	94	170¼	74	150¼	95½	147	3
Continental Baking Cl. A	74⅞	33⅛	53½	26½	90	47⅛	85	..
Do Cl. B	10¼	4	9⅜	3¾	15¼	8⅛	13⅞	..
Continental Can, Inc.	86⅞	58¾	128⅞	53	82¾	60	79½	2½
Continental Motors	13¾	8⅞	20½	10	28⅜	14⅛	14½	.80
Corn Products Refining	68	46⅞	94	64⅜	106¾	82	103⅞	‡3⅛
Crucible Steel of Amer.	96¾	76½	93	69¼	106⅝	85	102¼	5
Cuba Cane Sugar	10¾	4⅞	7⅛	4⅜	5½	1⅞	4	..
Cuban-Amer. Sugar	26⅛	18⅞	24¼	15⅜	17	11	14¼	..
Cudahy Packing	58¾	43½	78¼	54	67⅞	49⅛	54⅛	4
Curtiss Aero. & Motor Co.	69¾	45⅛	192¾	53⅛	173½	135⅛	166⅜	1
Cuyamel Fruit	55½	30	63	49	97¼	63	96	..
D								
Davison Chemical	48½	26¼	68¾	34⅜	69⅛	42⅞	55⅛	..
Drug, Inc.	..	..	120⅛	80	126⅛	105	111¼	4
E								
Eastman Kodak Co.	175¼	126¼	194¼	163	207⅞	168	199	‡8
Eaton Axle & Spring	29¾	21¼	68⅛	26	76⅜	56	62	3
E. I. du Pont de Nemours	343⅞	168	503	310	202	155¾	191	‡4½
Elec. Power & Light	32⅜	16⅛	49⅜	28⅜	81¼	43⅛	76⅛	1
Elec. Storage Battery	79½	63¼	91⅛	69	92⅞	77	86⅛	5
Endicott-Johnson Corp.	81¼	64¾	85	74¾	83⅜	66⅛	68	5
Engineers Pub. Service	39⅝	21¾	51	33	64½	47	64¼	1
F								
Federal Light & Traction	47	37½	71	42	109	68⅝	†94	..
Fisk Rubber	20	14¾	17¾	8⅞	20⅛	7⅝	8⅝	..
Fleischmann Co.	71⅛	46⅛	89⅜	65	98⅛	65⅛	96¼	‡3½
Fox Film Cl. A	85½	50	119⅝	72	101	80¾	88¼	4
Freeport Texas Co.	106½	34¼	109¼	43	54⅞	37¾	44⅛	4
G								
General Amer. Tank Car	64⅜	46	101	60⅞	102	81	93⅛	4
General Asphalt	96¾	65	94⅞	68	90⅞	61	88½	..
General Electric	146⅝	81	221½	124	360	219	345½	‡6
General Motors Corp.	141	113¼	224¾	180	91¾	68⅜	71⅛	‡3.30
General Railway Signal	153¼	82⅛	123⅝	84¼	122⅜	93½	119⅞	5
Gold Dust Corp., V. T. C.	78¾	42	143¼	71	82	53⅛	68⅝	2½
Goodrich Co. (B. F.)	96½	42¾	109¼	68½	105¾	73	79¼	4
Goodyear Tire & Rubber	69⅜	48⅜	140	45⅛	154½	112	121⅛	5
Graham-Paige Motors	..	..	61¼	16¾	54	25	29⅜	..
Granby Consol., Min., Smelt. & Pr.	45	31⅛	93	39⅛	102⅞	62⅛	76¼	7
Great Western Sugar	44⅝	35⅛	38½	31	44	32¾	35⅞	2.80
Greene Cananea Copper	151½	29¼	177¼	89⅜	197⅝	136⅛	171⅝	8
Gulf States Steel	64	40	73⅞	51	79	55¼	64⅝	4
H								
Hershey Chocolate	40¼	37⅞	72½	30¾	100½	64	97¼	..
Houston Oil of Texas Tem. Ctfs.	175	60⅛	167	79	109	70⅛	76½	..
Hudson Motor Car	91½	48¼	99⅞	75	93½	75⅛	87⅜	5
Hupp Motor Car	36¼	16	84	29	82	39⅛	42⅛	2
I								
Inland Steel	62⅜	41	80	46	96⅞	78⅛	98⅛	3½
Inspiration Consol. Copper	25½	12½	48⅞	18	66¾	38⅛	43⅛	4
Inter. Business Machines	119¾	53⅛	166⅜	114	246½	149⅜	244⅞	5
Inter. Cement	65⅜	45¼	94⅞	56	102¾	77¾	80	4
Inter. Comb. Eng. Corp.	64	40⅛	80	45¼	103½	54⅛	66	2
Inter. Harvester	255⅝	135⅜	97⅞	80	125¼	92	124	2½
Inter. Mercantile Marine	8¾	3½	7⅜	3¾	7¼	4	5⅛	..
Inter. Nickel	89⅛	38¼	269½	73⅝	72¾	40½	49⅝	.80
Inter. Paper	81½	39⅛	86⅜	50	83	57½	†60	2.40
Inter. Tel. & Tel.	158⅞	122¼	201	139½	113⅜	78	109⅞	2
J								
Johns-Manville	126	55½	202	96¼	242¾	152½	191¾	3
K								
Kelly-Springfield Tire	32¼	9⅛	25½	19¼	24	11	14¼	..
Kennecott Copper	90⅜	60	156	80⅛	104⅞	77⅝	85⅝	5
Kresge Co. (S. S.)	77⅛	45⅞	91⅜	65	57⅛	44⅛	49	1.60
Kroger Grocery & Baking	145	119	132¼	73¼	128⅝	75⅛	88½	1

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1927		1928		1929		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	7/17/29	Share
L								
Lehn & Fink	43	32⅝	64⅞	38	68½	50	50	3
Liggett & Myers Tob. B	128	87½	122½	83⅛	103½	81⅛	89	‡5
Lima Loco. Works	76⅜	49	65⅞	38	56⅜	42¾	54⅞	..
Loew's, Inc.	63⅞	48⅞	77	49⅛	84½	48½	58⅛	2
Loose-Wiles Biscuit	57¼	35⅛	88¾	44¼	74⅝	56	68⅝	2.60
Lorillard	47⅜	23⅛	46⅞	23¾	31½	20	23¼	..
M								
Mack Truck, Inc.	118¾	88¼	110	83	114¾	91	97¾	6
Magma Copper	58¾	29½	75	43¾	82½	60	65½	5
May Dept. Stores	90⅝	66¾	113½	75	108½	73½	89	4
McKeesport Tin Plate	..	..	78⅜	62½	82	62½	72¾	4
Mexican Seaboard Oil	9¼	3	73	4⅝	69⅜	36¼	44½	..
Miami Copper	20¾	13⅛	33	17¾	54½	30⅛	42½	4
Mont. Ward & Co.	121½	60⅜	156½	115¼	156⅞	99	129	2½
Murray Body	43	16¼	124¼	21½	100⅞	62	91⅝	3
N								
Nash Motor Co.	101⅞	60¼	112	80¼	118⅞	81⅛	87½	6
National Biscuit	187	94¾	195¼	159½	216¾	166½	209	‡6½
National Cash Reg.	51⅝	39⅞	104¾	47¼	148¾	96	127¾	‡4
National Dairy Prod.	68⅞	59¼	133½	64½	85	62⅛	82⅞	1½
National Enameling & Stamp	35⅜	19⅛	57⅜	23¼	62¼	43	51⅞	2
National Lead	202¾	*95	136	115	173	132	152	5
National Power & Light	26¾	19¼	46⅝	21⅞	64	42¼	61½	1
Nevada Consol. Copper	20⅝	12¾	42⅜	17¾	62⅞	39¾	44½	3
N. Y. Air Brake	50	39¼	50½	39⅞	49¾	41½	44¼	3
North American Co.	64½	45⅝	97	58⅝	159	90⅝	157⅜	§10%
O								
Otis Steel	12½	7¼	40½	10⅛	51¼	37	50½	..
P								
Packard Motor Car	62	33¾	163	56¼	153¾	116½	131¾	‡5
Pan-American Pet. & Trans.	65⅞	40⅛	55½	38¼	63	40¼	59½	..
Paramount Famous Lasky	115⅜	92	56⅜	47¼	72	55⅛	67½	3
Phila. & Reading C. & I.	47⅝	37⅜	39¾	27⅜	34	17⅜	22¾	..
Phillips Petroleum	60¼	36¼	53⅞	35¼	47	36	36	1½
Pierce-Arrow Cl. A	23⅝	9⅛	39⅞	18½	37⅞	27½	34	..
Pillsbury Flower Mills	37½	30⅞	58⅝	32¾	63⅞	39⅛	50¾	2
Pittsburgh Coal of Penna.	74½	32¾	78⅞	36⅛	83¾	54⅛	68½	..
Postum Co., Inc.	126⅛	92⅝	136½	61⅜	81¾	62¾	77	3
Pressed Steel Car	78¼	36⅛	33½	18	25⅜	15	20	..
Public Service of N. J.	46⅞	32	83½	41½	117¼	95	116⅝	2.60
Pullman, Inc.	84¾	73¾	94	77⅞	91⅞	78	88	4
Pure Oil	33½	25	31¼	19	30¾	23¼	26½	1½
R								
Radio Corp. of America	101	41⅛	420	85¼	114	68¼	78⅞	..
Remington-Rand	47¼	20½	36½	23⅛	46¾	28	46½	..
Reo Motor Car	26⅞	25½	35¼	22½	31⅞	21¼	21½	‡1.60
Republic Iron & Steel	75⅞	53	94⅛	49⅛	112	79¼	109¾	4
Reynolds (R. J.) Tob. Cl. B	162	98⅛	165½	126	66	53	55⅞	2.40
Richfield Oil of Calif.	28⅝	25⅜	56	23½	49⅝	39¾	41	2
S								
Savage Arms Corp.	72½	43½	51	36¼	51⅞	38¼	40¼	2
Schulte Retail Stores	57	47	67½	35¾	41½	16⅜	20¾	..
Sears, Roebuck & Co.	91⅛	51	197½	82⅛	181	139¾	170⅛	2½
Shell Union Oil	31¾	24⅝	39⅜	23¼	31¾	25¾	26¾	1.40
Simmons Co.	64¾	33½	101⅜	55¾	122¾	75	121	3
Sinclair Consol. Oil Corp.	22¾	15	46¾	17⅜	45	35⅛	36	‡2½
Skelly Oil Corp.	37¾	24⅛	42⅝	25	46½	32⅞	43	2
Spicer Mfg. Co.	28⅞	20½	51⅝	23½	66¾	45	53	..
Standard Gas & Elec. Co.	66¾	54	84⅝	57⅞	138⅞	80¾	135⅛	3½
Standard Oil of Calif.	60¾	50⅜	80	53	81⅞	64	73⅛	‡3
Standard Oil of N. J.	41⅜	35⅛	59¾	37¾	62⅜	48	57⅞	‡2
Standard Oil of N. Y.	34⅛	29¾	45½	28¾	45¾	38	38¾	1.60
Stewart-Warner Speedometer	87½	54¼	128⅛	77¼	77	65	71¾	3½
Studebaker Corp.	63½	49	87½	57	98	73⅛	76¾	5
T								
Texas Corp.	58	45	74¾	50	68½	57¼	62⅝	3
Texas Gulf Sulphur	81⅜	49	82½	62⅛	85¼	69⅝	74	4
Texas Pacific Coal & Oil	18⅞	12	26⅝	12⅛	23⅞	16	16⅝	§5
Tide Water Assoc. Oil	19⅛	15⅜	25	14¾	23½	17⅛	21½	..
Timken Roller Bearing	142⅛	78	154	112⅝	110¾	73½	104⅝	3
Tobacco Prod. Corp.	117⅝	92¾	118⅛	93	22⅛	14	14½	1.40
Transcontinental Oil temp. ctf.	10⅜	3¾	14½	6¾	14¼	9	12⅛	..
U								
Underwood-Elliott-Fisher	70	45	93⅞	63	165¼	91	155⅛	4
Union Carbide & Carbon	154½	99⅛	209	136⅛	128	75¼	124¾	2.60
Union Oil California	56½	39⅝	58	42¾	54½	46	47⅝	2
United Cigar Stores	38⅛	32⅜	34⅝	22⅞	27½	13⅝	15⅝	1
United Fruit	150	113½	148	131⅛	158½	109⅝	116¼	4
U. S. Cast Iron Pipe & Fdy.	246	190⅛	53	38	55⅞	27	31¼	2
U. S. Industrial Alcohol	111½	69	138	102⅛	193¼	128	188½	6
U. S. Rubber	67⅛	37¼	63¼	27	65	42	51⅛	..
U. S. Smelting, Ref. & Mining	48⅞	33⅜	71½	39½	72⅞	48	54	3½
U. S. Steel Corp.	160½	111⅜	172½	132⅜	205¼	163	200	7
V								
Vanadium Corp.	67⅛	37	111⅛	60	116½	68	91¾	‡4
W								
Warner Bros. Pictures	45½	18¼	139¼	80⅞	63	54¾	61⅝	..
Western Union Tel.	176	144½	201	139½	229	179¾	225	8
Westinghouse Air Brake	50½	40	57⅜	42⅛	54⅛	43¼	50¾	2
Westinghouse Elec. & Mfg.	94¾	67⅝	144	88⅛	204	137½	197	4
White Motor	58⅜	30¼	43⅜	30¼	53⅛	38	42½	1
Willys-Overland	24¾	13⅛	33	17¾	35	20	25	1.20
Woolworth Co. (F. W.)	198½	117¾	225¾	175⅛	94½	85	90⅞	2.40
Worthington Pump & Mach.	46	20⅛	55	28	66¾	43	63⅛	..
Wright Aeronautical	94¾	24⅛	289	69	149½	109	136	2
Y								
Youngstown Sheet & Tube	100⅛	80⅛	115⅝	83½	158¼	105	149¼	5

* Ex-dividend † Bid Price. ‡ Partly Extra. § Payable in stock.

Securities Analyzed, Rated and Mentioned in This Issue

INDUSTRIALS

BONDS

PUBLIC UTILITIES

MINING

PETROLEUM

RAILROADS

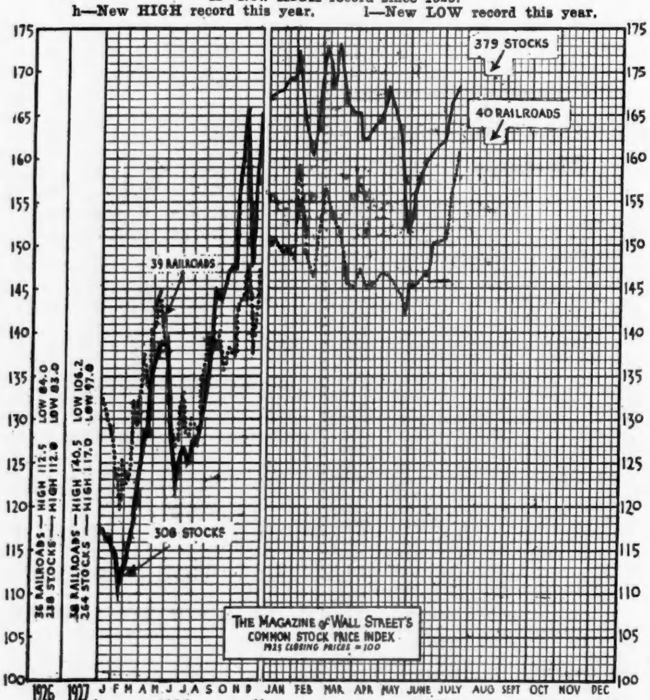
Important Corporation Meetings

Company	Specification	Date of Meeting
Allis-Chalmers Mfg.	Directors	8-2
Amer. Brown Boveri Elec	Directors	8-1
Amer. Encaustic Tiling	Directors	7-30
Amer. Multigraph	Directors	7-29
Amer. Tobacco	Com. Dividend	7-31
Atlantic Gulf & W. Indies S. S.	Directors	7-31
Bangor & Aroostook R. R	Special	7-30
Borg-Warner Corp.	Directors	7-26
Brockway Motor Truck	Executive Com.	7-30
Continental Motors Corp	Directors	7-30
Deere & Co	Dividend	7-30
Erie Railroad	Directors	7-29
Gardner Motor	Special	8-1
General Elec.	Directors	8-2
Hercules Powder	Pfd. Dividend	7-31
Holly Sugar Corp	Directors	7-29
Illinois Central R. R	Directors	7-30
Independent Oil & Gas	Directors	7-27
Inland Steel	Dividend	7-30
International Business Mach	Directors	7-30
International Silver	Com. Div'd	7-31
Lima Loco. Works	Directors	7-31
Martin-Parry Corp.	Directors	7-31
Mengel Company	Pfd. Dividend	8-1
Miller Rubber Co	Directors	7-27
New Jersey Zinc	Directors	7-31
Oil Shares, Inc	Directors	7-29
Oil Well Supply	Directors	7-31
Parke, Davis & Co	Directors	7-31
Pittsburgh Steel	Dividend	7-29
Public Service Corp. of N. J	Directors	7-30
Radio Corp. of Amer	Directors	8-2
Reynolds (R. J.) Tobacco	Directors	8-1
Simms Petroleum	Dividend	8-1
Standard Oil, New York	Dividend	8-2
Studebaker Corp.	Pfd. & Com. Div'ds	7-31
U. S. Steel Corp	Dividend	7-30
Warren Bros. Co	Directors	8-1
Westinghouse Elec. & Mfg	Directors	7-31
Wheeling & Lake Erie Ry.	Adjourned An'l	8-1
Wheeling Steel Corp	Directors	7-31

THE MAGAZINE OF WALL STREET'S
COMMON STOCK PRICE INDEX
(1925 Closing Prices = 100)

Number of Issues in Group	Group	1929 Indexes (379 Issues) High	1929 Indexes (379 Issues) Low	Recent Indexes July 6	Recent Indexes July 13	1928 Indexes (308 Issues) Close	1928 Indexes (308 Issues) High	1928 Indexes (308 Issues) Low
379	COMBINED AVERAGE	173.1	151.3	166.6	168.4	165.4	166.0	109.2
40	Railroads	160.7	142.1	156.6	160.7H	147.1	148.9	119.5
3	Agricultural Implements	655.4	378.2	456.0	457.9	513.2	513.2	280.5
8	Amusements	268.0	216.7	224.1	229.1	253.8	262.9	98.3
15	Automobile Accessories	212.6	176.9	193.5	191.2	190.2	190.2	86.4
18	Automobiles	134.9	101.3	110.2	106.4	133.5	133.5	79.0
2	Aviation (1927 Cl.—100)	307.1	264.5	290.7	301.5	284.4	(Begun 1929)	
3	Baking (1926 Cl.—100)	96.3	73.4	89.5	96.3h	82.3	82.9	51.5
2	Biscuit	238.0	198.6	237.2	238.0h	225.2	242.4	169.7
4	Business Machines	332.0	234.1	332.0H	344.5	235.0	235.0	153.7
2	Cans	249.5	177.7	238.8	249.5H	177.7	181.4	117.2
7	Chemicals & Dyes	325.4	221.7	313.0	325.4h	221.9	(Begun 1929)	
2	Coal	124.0	80.3	88.5	98.6	120.3	120.3	81.8
14	Construction & Bldg. Material	141.3	116.6	127.2	130.4	136.9	136.9	94.4
15	Copper	391.5	284.6	316.7	303.0	299.6	299.6	159.8
3	Dairy Products	132.5	109.8	127.1	132.5h	120.4	132.5	68.1
7	Department Stores	86.5	62.1	68.3	67.0	86.5	89.5	62.9
10	Drugs & Toilet Articles.......	199.2	166.9	182.1	181.5	196.0	201.9	157.2
5	Electric Apparatus	269.1	183.5	269.1H	268.3	183.5	183.5	125.6
3	Fertilizers	121.4	65.8	74.8	73.7	106.4	116.3	78.4
2	Finance Companies	207.8	161.4	188.0	184.2	178.5	(Begun 1929)	
4	Furniture & Floor Covering...	197.5	143.3	164.3	167.1	185.0	185.0	110.2
5	Household Appliances	110.8	88.3	92.3	94.7	110.8	113.3	87.5
8	Investment Trusts	406.2	154.4	373.9	406.2h	154.4	(Begun 1929)	
3	Mail Order	418.6	309.0	330.2	334.9	418.6	426.5	147.9
4	Marine	93.7	74.7	79.5	78.4	77.4	96.5	66.8
2	Meat Packing	104.4	70.9	80.8	76.4	104.4	(Begun 1929)	
40	Petroleum & Natural Gas.....	172.3	143.8	157.6	155.8	164.4	182.6	86.1
5	Phon-phs & Radio (1927—100)	321.1	248.9	272.3	256.3	290.0	(Begun 1929)	
17	Public Utilities	324.0	213.3	303.1	324.0H	215.5	215.5	127.9
10	Railroad Equipment	132.0	117.5	129.9	132.0H	127.6	128.9	112.1
3	Restaurants	172.0	119.3	170.0	172.0h	131.0	138.1	89.8
2	Shoe & Leather	178.3	132.8	138.6	137.1	176.2	231.4	138.3
2	Soft Drinks (1926 Cl.—100)...	244.0	206.9	230.2	244.0h	208.6	214.0	152.9
13	Steel & Iron	160.0	133.3	155.4	160.0H	138.8	143.4	86.3
6	Sugar	81.6	60.9	65.6	68.7	78.7	93.7	72.8
2	Sulphur	295.2	242.5	269.0	262.7	286.9	386.9	251.6
3	Telephone & Telegraph.......	211.8	150.1	201.5	211.8H	150.1	150.1	120.8
6	Textiles	128.5	95.5	100.2	97.6	122.8	123.8	78.6
8	Tire & Rubber	111.4	71.4	78.9	77.5	104.0	104.0	61.5
11	Tobacco	184.6	146.3	146.3 l	146.8	180.9	195.0	167.8
5	Traction	140.4	84.6	88.2	84.6 l	126.6	150.4	103.8
2	Variety Stores	128.0	110.9	119.3	121.4	124.4	126.8	98.0

H—New HIGH record since 1925.
h—New HIGH record this year. l—New LOW record this year.



(An unweighted Index of weekly closing prices specially designed for investors. The 1929 Index includes 379 issues, distributed among 42 leading industries, and covers about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments and reflects all important price movements with a high degree of accuracy. Our method of making annual revisions in the list of stocks included, renders it possible to keep the Index abreast with evolutionary changes in the market, without impairing its continuity or introducing cumulative inaccuracies.)

Stock Buyers Search for Hidden Profits

(*Continued from page 583*)

Nevertheless, in the case of many shares, an apparently unreasonable price is often defended by pointing to the book value—however, with an adjustment for what is believed to be the understatement of assets in the published reports.

Attention, for example, will be called to the fact that this or that corporation has valuable real estate, the book value of which remains unchanged since the date it was originally acquired, many years before. Or that a particular company carries its patents at only $1 on the books, whereas they are easily worth ten or a hundred million dollars. There are many companies whose shares are selling at even less than the net current assets behind each share. The plant carried on the books at several million dollars is thrown in gratis, so to speak, when the shares are bought at current prices. Practically always these are companies in depressed industries, with no hope for dividends for many years.

The Other Extreme

Nothing in this article should lead the reader to the hasty conclusion that the practice of understating financial affairs in published reports is general. There are, in fact, companies where the tendency is rather to the other extreme—to overstatement. Where the published statement is unqualifiedly approved by a reputable accountant this is usually sufficient guarantee against inflation of earnings and assets. But because auditors have to be on their guard against overstatement, with possible loss to creditors and investors who rely on the published figures, the accountants usually condone, if not actually advise, an ultra conservative bookkeeping policy. Of course, no reputable auditor would permit this if he suspected that it was for the selfish benefit of some individuals, rather than for the benefit of the company and its body of shareholders.

Accounting literature contains much discussion on this question of understatement of condition, and the danger that unsuspecting stockholders may thus be induced to sell their shares at less than the true worth. But improvement has been slow, chiefly because, as a general proposition, a mistake in ultra conservatism in reporting is not as dangerous as a mistake the other way.

If there is one established accounting principle generally accepted it is this: The original capital contributed by stockholders must at all times remain intact with the corporation; and it is only the increase that may be considered as surplus. This is no easy principle to apply in the never-ending series of transactions making up the corporation's life. It sells today a product manufactured in a previous year, from raw materials purchased in the year before that, manufactured in a plant erected ten years prior. The proceeds of the sale may not be collected until a year from today. All of these transactions, involving income, costs and expenses, must be prorated to this particular year, and it is only in a strict technical sense that the corporation treasurer can do this. Accountants have found it safer to take every precaution that he does not overstate his accomplishments.

The writer knows an investor who depends to a large extent, in his buying, on the published figures of earnings—but he makes a mental adjustment of these earnings. If they show say a ten per cent increase over those of the previous period, he makes up his mind that the increase was probably twenty per cent. If on the other hand the earnings show a shrinkage of say ten per cent, he goes on the assumption that the decline was at least double this. His argument is that a corporation does not like to show too great an improvement when things are going well—and that it particularly does not like to completely disclose its misfortune when conditions are depressed; that by withholding from its reports part of its profits, it is enabled to show them in a future year when the earnings are in reality low, or entirely absent.

The feeling that corporations understate profits must be rather prevalent at this time, judging by the comments so often heard by the writer that today corporations are earning much more than is disclosed in their published reports, that to buy the common stock of a prosperous company at a price equivalent to twenty times its reported net income is in reality to buy the stock at only ten or fifteen times the true earnings.

Unfortunately in too many cases the completed computation of the corporation treasurer reaches the public in a way which prevents analysis, in a printed report much too fragmentary. To determine intrinsic values of the shares of the company requires particular recourse to be paid to its relative position in the particular industry and the reputed abilities of the men in charge. The conservative man should as a general policy select his investments in those companies that are frank in disclosing their financial posi-

tion and the reasons for its constant change; and, because accounting is far from exact, in the companies which are protecting themselves against the unknown future by adequate reserves.

Planting American Industrial Colonies Throughout the World

(*Continued from page 581*)

successfully compete in Peru against the goods of an American branch in Japan shall our government agents help the Japo-American plant to get the business against other concerns, and thereby increase Japanese exports of competitive goods but fatten American dividends? Many are the problems and great the burdens of industrial empire.

The Obverse Side

Returning to the Ford dream, let us assume that it can never be realized because of the inherent nature of European human nature. Suppose that European industry, so much now the industry of small plants, even of the home, of the hand rather than the machine, of individual rather than quantity production, cannot be Americanized. If it cannot be thoroughly mechanized it cannot compete abroad with those American-made goods that lead in our export trade. The net result will be that our branch factories will have got us a share of the business we might otherwise have lost or not obtained, whilst the trade of the world that is open to all manufacturing comers will be ours in as full a measure as ever.

Providing branching abroad does not cause dull business or industrial stagnation in America, then American investors always stand to profit by the extension of American factories in other lands. In that case it is all the same to the investor whether his dividend comes from the American or the branch factory, and he may have more dividend opportunities and larger ones; because the branch factory is only a method of getting business that is not easily accessible by exportation. If the investor's company cannot export its products, the next best thing is to export its production. In a way then the American can invest, as he usually prefers to do, in American companies and at the same time have the world for his field.

On the whole we have to conclude that branch factories give us something we would not get otherwise. Their extension frequently will be characterized

by locally or individually disastrous results, but with general benefit. Their development is comparable to the constant flux in the business world with the introduction of new machines and new methods. It ruins some men and some companies; it throws many men out of employment temporarily, and some permanently; it is marked by painful readjustments—but it is inevitable evolution.

This leads us into the tariff situation, now occupying the center of the political stage—to the pressure that is being exerted on the tariff situation by our expanding interests abroad—to that interesting angle, the export tariff, and the new element of foreign industrialists settling in America.

This story will appear in the August 10th issue of the THE MAGAZINE OF WALL STREET *as a leading feature.*

A Wise Parent Looks to the Financial Education of His Children

(*Continued from page* 610)

to get a large income as when I invest in the safest kind of bonds and accept less income. If you take a bond that is quoted on the N. Y. Stock Exchange you can tell what the consensus of investment opinion is regarding the safety of that particular bond as the actual interest yield is in inverse ratio to quality of the bonder. All other things being equal, it is found that the best bonds yield a low return and the more risky issue, a higher yield. When some friend tells you, "This is paying big interest. It is a great chance." Then is the time to get scared and go to extremes to ascertain what the most conservative institutions think about it.

It is my opinion that uninformed men and women should put the handling of money in the charge of men who are acting in their official capacity as responsible officers of well established and conservative institutions such as banks, trusts and Building and Loan Associations. The fact that some business man is a friend or relative of yours should not lead you to trust such matters to him. Consult him if you wish but when money goes out of your hands see that a thoroughly responsible organization is looking out for it, one with a long history to its credit if possible.

Some men will call me too conservative. I do not think that it is true for myself nor for you. We do not know enough about these things. Although some stocks are about as steady as bonds I have not invested in stocks although I may do so some day. My advice to you girls is not to venture in this line until you have had years of experience and made a careful study of the matter. Then stick to the safest kind.

My wish is that you may have money in plenty and that you may succeed in making it earn more money. Use it to broaden your own lives and enrich the lives of as many people as possible. Selfishness is bad but it has no essential bearing on the question as to whether you have money or not. In fact I think that the having of money very often develops generous characters.

Your Loving Daddy,
"Missionary."

Important Dividend Announcements

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$7.00	Allis-Chal. Mfg. com..	$1.75	Q	7-24	8-15
3.00	Amer. Can com.......	.75	Q	7-31	8-15
1.00	Am. Water Wks. com.	.25	Q	7-26	8-15
Stk	Am. W. Wks. com.,	1/40 sh	SA	7-26	8-15
10.00	Atch., Top. & S. Fe..	2.50	Q	7-26	9-3
Stk	Borg-Warner Corp. ..	50%	Stk	8-1	8-15
Stk	Coty, Inc.	½%	Q	8-12	8-27
5.00	Gillette Safety Razor.	1.25	Q	8-1	9-2
5.00	Hudson & Manh. pfd..	2.50	SA	8-1	8-15
7.00	Ill. Cent. R.R. com...	1.75	Q	8-1	9-3
6.00	Ill. Cent. R.R. pfd...	3.00	SA	8-1	9-3
4.00	Indiana Pipe Line....	1.00	Q	7-26	8-15
....	Indiana Pipe Line....	3.00	Ext	7-26	8-15
4.00	Ingersoll-Rand com...	1.00	Q	8-6	9-3
2.40	Int'l Paper Co. com...	.60	Q	8-1	8-15
2.40	Int'l Paper & Pr. Cl. A com.	.60	Q	8-1	8-15
4.00	Lehigh Coal & Nav....	1.00	Q	7-31	8-31
2.40	Macy, R. H., com....	.60	Q	7-26	8-15
4.00	Miami Copper	1.00	Q	8-1	8-15
7.00	Mid West Util. com..	1.75	Q	7-31	8-15
2.50	Montgom. Ward com..	.62½	Q	8-3	8-14
5.00	Oppenh'm-Collins com.	1.25	Q	7-26	8-15
3.00	Pacif. Light. Co. com.	.75	Q	7-31	8-15
3.00	Packard Mot. Car com.	.25	M	8-12	8-31
4.00	Pennsylvania R.R.....	1.00	Q	8-1	8-31
7.00	Pittsburgh Steel pfd..	1.75	Q	8-10	9-1
6.00	Pub. Service of N. J. 6% pfd.	.50	M	8-9	8-31
4.00	Pullman, Inc.	1.00	Q	7-24	8-15
6.00	Savage Arms 2nd pfd.	1.50	Q	8-1	8-15
8.00	Sinclair Consol. Oil 8% pfd.	2.00	Q	8-1	8-15
2.00	South Colo. Pr. Cl. A com.	.50	Q	7-31	8-24
Stk	Stewart-Warner Speed.	2%	Q	8-5	8-15
Stk	Studebaker Corp.	1%	Q	8-10	9-1
3.60	Thatcher Mfg. conv. pfd.	.90	Q	8-5	8-15
3.60	Thompson, John R....	.30	M	7-23	8-1
1.40	Tob. Products Corp. Cl. A	.35	Q	7-25	8-15
5.00	Wabash Ry. Pfd. A..	1.25	Q	7.25	8-24
2.40	Woolworth (new)	.60	Q	8-10	9-3

Bank, Insurance and Investment Trust Stocks

Quotations as of Recent Date

NATIONAL BANKS	Bid	Asked
Bank of America, N. A. (4.50)	220	225
Chase, new (3.60)	205	209
Chatham & Phenix (16) X	870	880
Chemical	115	119
City (4A)	403	408
Commerce	800	815
First (N. Y.)	7000	7200
Park, new (X)	178	184
Public (4) X	257	268
Seaboard (16)	960	980
TRUST COMPANIES		
Irving Trust (1.60)	75	76
Bankers (new) (3)	173	176
Bank of N. Y. & Trust Co. (20)	935	945
Brooklyn (30)	1160	1170
Central Hanover (6)	436	442
Empire (16) X	625	635
Equitable (12) X	645	652
Guaranty (20)	845	855
Manufacturers (6) X	279	283
New York (new) (5)	336	341
United States Trust (70)	4350	4550
STATE BANKS (NEW YORK)		
Corn Exchange (4)	200	205
Manhattan Co. (16)	875	885
State	300	310
United States (6)	202	206
INSURANCE COMPANIES		
Aetna Fire (20)	740	760
Aetna Life (12)	1300	1320
Fidelity-Phenix	210	218
Continental	52	54
Glens Falls (1.60)	57	60
Globe & Rutgers (24)	1415	1435
Great American (1.60)	44	45
Hanover (1) X	66	69
Hartford Fire (24)*	1030	1050
Home (20)	575	585
Carolina (1.40)	44	46
National Fire (25)*	850	880
Niagara (4)	200	203
North River (8.50)*	425	435
United States Fire (2.40)	107	112
Stuyvesant (6)	400	415
Travelers (24)*	1930	1960
Westchester (2.15)*	75	80
SURETY AND MORTGAGE COMPANIES		
American Surety (6)	133	138
National Surety (10)	105½	107
Lawyers Mortgage (2.80)	62	65
Mortgage Bond (8)	195	205
JOINT STOCK LAND BANKS		
Chicago	7	15
Dallas (8)	90	100
Des Moines	6	14
First Carolina	12	25
Lincoln (4)	50	65
Southern Minnesota	5	10
Virginia (B)	1	2
INVESTMENT TRUST SHARES		
American Founders Trust com.	106¾	108¾
Do 6% Pfd.	45¼	48¼
Do 7% Pfd.	49½	52½
Diversified Trustees Shares	29⅞	30⅝
Do Series B	26⅞	27⅝
Financial & Industrial Sec. com.	..	..
Do Pfd.	..	..
Fixed Trust Shares	24⅞	25⅝
Insuranshares, B 1928	22⅜	23⅛
Interl. Sec. Corp. of Amer., B	31	34
Do A	59	62
Do 6% Pfd.	88	93
Oil Shares, Inc, (units)	..	62
Second Intl. Securities	50	54
Do 6% Pfd.	43	46
Shawmut Bank	37	40
U. S. & British Internl. A	31½	35½
U. S. Shares, Series A-1	14⅛	15⅝
Do Series B	..	..

(A) Including div. wherever paid by Securities Companies in some cases. (B) Par $5. * Including extras. (X) Ex-dividend.

HEIGHTENED interest in bank stocks, the entrance of speculative buyers into this market and the prospect of still more mergers and capital split-ups in the second half of the year has considerably increased activity in the market for the shares of the leading institutions. During the past fortnight, revival of rumors connecting the names of the *First National Bank, Bankers Trust and New York Trust* brought a rush of buying into the market for all three stocks. First National crossed 7,000 a share, a gain of about 700 points on this movement; New York Trust made a new high at around 350; and, Bankers Trust established a substantial price gain.

Bank of America and Chatham Phenix National Bank & Trust shares were likewise active in anticipation of a merger of these two institutions which will represent the concentration of banking resources of over 825 million dollars. The growth of the former institution has been swelled by various acquisitions during the past few years including Franklin Trust, the Battery National Bank, Bowery East River and Commercial Exchange Bank. More recently Nassau National Bank has been taken in and the Blair National Bank was formed to take in the investment organization of Blair & Co. As the result of all these acquisitions and the steady growth of the two institutions now heading the present consolidation, the new bank will be the fourth largest in New York City, exceeding in resources *Irving Trust* which now occupies that position.

The part that these huge bank mergers plays in use of bank credit by investors and businessmen is indicated the shift of funds from deposits to the capital account of these institutions. Since July, 1928, the banks have increased their capital funds by approximately half a billion dollars, in connection with the issuance of new shares both as stock split-ups and in connection with consolidations. These funds, to a large extent, were taken out of deposits where a reserve of about 10% is required and placed to the capital account of the banks whose stocks were purchased. The only legal requirement against the latter funds is a purchase up to 3% of the amount involved of Federal Reserve Bank stock, paying 6%. Consequently, a large additional amount of bank credit is released through the cumulative effect of all these capital transactions.

Answers to Inquiries

(*Continued from page* 612)

ency of large corporations to place their stock within the means of all investors. Regardless, however, there is certainly no reason why your commitment should not eventually yield you a satisfactory profit and we believe that it would be untimely to make any change in your holdings for the present.

ALLIED CHEMICAL AND DYE CORP.

Have you any definite data on the rumored split up in Allied Chemical? Last month I bought 10 *shares at* 280 *and now have a paper profit of over* $500. *Would you recommend that I continue to retain awaiting further developments?—A. H., Roanoke, Va.*

The common stock of the Allied Chemical & Dye Corp. combines the essential qualities of a sound equity investment with excellent possibilities for future price appreciation. Subject, of course, to intermediate market conditions, there is every indication that the shares will command a substantially higher market value over a period of time. The company is the largest chemical enterprise in the world and its record has been one of steadily increasing earnings and expansion. Products are extensive, principal among which are commercial acids, alkali products, heavy chemicals, roofing and road building materials, paints, coal tar derivatives and artificial gas. Construction of the first unit of a nitrogen fixation plant was completed late in 1928 and $35,000,000 has been appropriated for the second unit. It is expected that eventually this plant will return large earnings although that time is still some distance away. Earnings have shown consecutive increases since 1921, the only exception being 1924 and while gains have been more moderate in recent years, it is to be borne in mind that the company has adopted a very conservative accounting policy and huge reserves are set aside annually for depreciation. Profits in 1928 were nearly 10% larger than the preceding year being equivalent to $11.28 per share and it is quite probable that a further increase will materialize in the current year. Rumors that the company plans to retire its preferred stock and split up the common shares have persisted for some time but in the absence of official confirmation, it is impossible to actually state that such action is being contemplated. There is no doubt, however, that these rumors are not without some

foundation as indicated by the company's exceptionally strong financial position and the huge profit and loss surplus which at the end of 1928 was in excess of $180,000,000.

CUBAN-AMERICAN SUGAR

Is Cuban American Sugar a good speculation around 15? I am thinking of buying 100 shares if you approve. Will you please let me have your analysis and opinion?—F. V. S., Jackson, Miss.

Reflecting generally demoralized conditions in the raw sugar industry, earnings of Cuban American Sugar Company have ranged sharply lower in recent years, accompanied by omission of both preferred and common dividends. Results from operations in the fiscal year ended Sept. 30th, 1928 show a balance equal to only $1.08 a share of preferred stock, thus leaving nothing, of course, available for the common, against 39 cents a share on the junior stock in the preceding year. Financial position is unusually strong, and as one of the lower cost Cuban producers, the company is strategically situated to immediately obtain the benefits of developments in the industry in any degree favorable. However, there appears to be limited near term prospects of permanent relief in the industry as a whole. Moreover, possibilities of increased duties on exports to the United States further complicate the situation, but proposed schedules in that connection are likely to meet with strong opposition, so that this does not enter as a factor at this time. While we are optimistic regarding the company's long term future, we see little incentive to undertake fresh commitments at this writing.

CURTISS AEROPLANE & MOTOR

Now that the merger news is out, would you advise taking a profit of about $500 which I have in 50 shares of Curtiss Aero? What are the nearby prospects for the recently formed Curtiss-Wright Corporation?—R. M. S., Sheboygan, Wis.

As you know, Curtiss Aeroplane & Motor is now in the process of being consolidated with Wright Aeronautical and other units into a new company to be known as Curtiss-Wright Corporation. We are inclined to the belief that plans in that connection may be expected to work out to the ultimate benefit of all concerned. Optimism is quite general regarding the interesting possibilities held forth in the aviation industry, and while it is yet too early to definitely determine just which companies may be expected to prosper to a major degree, main constituents of the new company are among the few organizations already established on a sound earning power basis and the combined enterprise seems altogether likely to share in a satisfactory degree in rather well defined prospects for future substantial growth of the aviation industry as a whole. Under the terms of the merger, Curtiss Aeroplane shareholders are to receive one share of Class A stock of the new company and four and one-half shares of common stock for each share surrendered. We see no reason to advise against depositing your shares and retention of new stock received for future enhancement in quoted value.

UNION CARBIDE AND CARBON CORP.

I bought 20 shares of Union Carbide & Carbon old stock at 224, selecting it from the stocks with the greatest promise which were analyzed and recommended in your March 9, 1929, issue. My profit is now over $3000. Shall I accept it?—D. J., Little Rock, Ark.

On the basis of known facts, it would appear that present quotations for Union Carbide & Carbon shares go a long way toward discounting the company's near term prospects. On the other hand, it is quite probable that the future will witness further expansion in the scope of the company's activities and profits to the ultimate benefit of patient shareholders. In effect Union Carbide is a holding company, conducting operations through 20 manufacturing subsidiaries with nearly 140 factories. Products are so well diversified as to make the company independent of any particular consuming industry and a marked degree of stability is assured for earnings. The manner in which the management is seeking to expand the company's field was well exemplified last year when 11 oxygen and 7 acetylene plants were acquired. Several more have since been added, a smelting plant in Norway was recently taken over and two plants are now in the course of construction. During the past seven years plant account has increased nearly $100,000,000, an achievement that has been made possible solely through the investment of surplus earnings and without recourse to additional financing. Based on the present capitalization, after giving effect to the three-for-one split last May, earnings in 1928 amounted to $3.72 per share in comparison with $3.18 per share in 1927. Profits in the first three months of the current year scored a further gain, being 20% larger than in the first quarter of 1928 and if the company is successful in sustaining the same rate of increase throughout the year results should show about $4.50 available for the common stock. This would be a

Have You Profited

from the

Stock Market Advance?

Clients of the American Institute of Finance have profited materially from the stock market advance of the past two months, exactly as they have profited from each alternate advance and decline of 1929.

Individual issues in a weak position, such as motors and the coppers, which have rallied only moderately from their low levels of May, have been avoided.

The table below gives individual issues specifically recommended, *week by week*, in the Advisory Bulletins of the Institute, during the past two months.

Bulletin	Advice		Purchase Price	Present Price	Points Advance
May 4	Buy: Underwood-Elliot	@	120	160*	40
May 11	Buy: National Dairy Products	@	67	85	18
May 18	Buy: Erie	@	71	81	10
May 25	Buy: Westinghouse	@	145	200	55
May 25	Buy: Norfolk & Western	@	200	250*	50
June 1	Buy: Youngstown Sheet & Tube	@	125	155	30
June 8	Buy: Standard Gas & Electric	@	95	135	40
June 15	Buy: Pere Marquette	@	164	200	36
June 22	Buy: American Rolling Mills	@	115	133	18
June 29	Buy: Union Pacific	@	235	270	35

*Profits accepted.

The above are results from recent advices. Original purchase recommendations on all stocks were materially lower.

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In spite of the marked advances and satisfactory profits developed, there are still, RIGHT NOW, individual issues in a sound position.

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highly satisfactory showing, but hardly sufficient to fully account for existing quotations. If, however, you would not be unduly concerned by transitory market movements, we would be inclined to counsel retention of commitments made for the long pull.

BROWN SHOE

What is the outlook for Brown Shoe common? I purchased this stock in March at 44½ which happens to be its current price. Do you think the results to be gained would justify holding on for another quarter?—D. L. K., Ashland, Ky.

Brown Shoe Company, Inc., ranking as the third largest shoe manufacturer in the United States, has substantially increased production capacity in recent years, and while sales have mounted steadily, due to recession in prices of its products, resulting in a narrowing of profit margins, earnings have been variable, results in the 12 months ended October 31st, 1928, showing a balance equal, after preferred sinking fund, to $4.05 a common share against $5.70 a share in the preceding year, followed by $1.65 a share in the six months ended April 30th, 1929, compared with $1.62 a share in the same period of the preceding fiscal year. Fluctuations in raw material costs have contributed to the irregularity in earnings in recent years, but with conditions within the industry now apparently stabilized, we do not anticipate a marked falling off in earnings, and in view of the company's strong competitive position, and well diversified line of products, which are marketed under well known trade marks, expansion in profits should be witnessed over the longer term. Financial position is comfortable, bank loans at the end of the last fiscal year of $3,020,000 having been reduced to $1,200,000 on April 30th, 1929. The shares seem reasonably priced at existing levels and are well adapted, in our opinion for income and future price appreciation.

AMERICAN CAN COMPANY

Do you think the time has come to take profits in American Can? I know that the stock is bulled for 200 but a paper profit of $2500 on 50 shares looks good to me. I shall be guided by your opinion which I have found reliable in the past.—V. A. L., Butte, Mont.

The advisability of taking profits on American Can Co. common stock depends largely upon whether you consider your commitment as an investment to be held for the longer pull or whether you are primarily interested in the shorter swings. The company's leadership in its field and its long record of profitable operations fully justifies the high investment regard in which the shares are held. It is not surprising therefore that they generally sell on a basis which is likely to anticipate the future some distance ahead, a situation which reflects the confidence that the company has inspired in its ability to sustain operations in a manner consistently profitable to its shareholders. Favorable conditions in the food packing industry last year found reflection in a 52% gain in the company's earnings, net amounting to $6.86 per share on the 2,473,998 shares of common stock. Present prospects for the current vegetable pack indicate a record breaking canning season and more than sufficient to offset the adverse situation in the Pacific Coast fruit crop. Consequently, earnings of American Can should register a further gain. The company has been gaining a strong foothold in foreign markets and during the past several years expenditures for new production facilities have averaged $7,500,000 annually. The latter developments naturally serve to enhance the long range prospects, and while the shares would hardly be said to be undervalued, their retention with a view to sharing in the future growth of a company already established as the leading factor in its field, should prove a profitable procedure.

GRANBY CONSOL. MINING SM. & POWER

My commitment in Granby has proved a disappointment to me. I have 100 shares, bought in March at 98. Consequently my paper loss is about $1500. In spite of the recent prediction of a director that for the quarter ended June 30, Granby would show the greatest earnings in history, the stock failed to move up substantially. Do you think I should make a switch?—J. F., Decatur, Ill.

Reflecting an extensive development and improvement program, together with new acquisitions, total ore reserves and productive capacity of Granby Consolidated have undergone substantial increase in later years which, in conjunction with lower costs and higher copper metal prices, has resulted in encouraging expansion in earning power. Results in 1928, after depreciation, but before depletion, showed a balance equal to $3.45 a share against only 22 cents a share in 1927. Before depreciation, profits in 1928 were equal to $6.60 a share. Income in the first quarter of 1929, before depreciation, depletion, etc., was equal to $2.09 a share, and it has been confidently estimated in official circles that results in the second quarter were of record proportions, equal to around $2.75 a share. An advance in copper metal prices to around the 24-cent level some months ago seemed hardly warranted by existing conditions, and was

followed by a substantial decline. Now it seems altogether likely that metal prices will become stabilized at or above existing levels, giving rise to the possibility that net income of Granby in the full 1929 year, before charges, will equal around $10 a share. Financial position is strong, by virtue of which fact directors are able to distribute substantially all income in the form of dividends, and it has been officially stated that barring a drastic decline in metal prices, dividends at the annual rate of $7 a share may be continued indefinitely. In direct reflection of recent sluggishness in metal prices, the stock has continued somewhat retarded marketwise, but we regard fundamentals underlying favorable to an extent to justify the belief that eventual price appreciation is not only warranted but is probable. We hesitate to recommend a sacrifice sale at this time.

SEARS, ROEBUCK

Following your advice, I held on to my 25 shares of Sears, Roebuck and now have a profit of 11 points in place of the loss of 20 which I had when I previously wrote you. What is your present recommendation on this stock? Are sales likely to be depressed due to the drop in wheat prices? —B. E., Meadville, Pa.

Ranking as the leading mail-order house, Sears, Roebuck & Company has, in later years, become a large retail distributor, through upwards of 40 large retail stores and more than 182 smaller units. It has practically completed its program of warehouse expansion and is now giving increasing attention to adding retail outlets, it being planned to open 20 larger units and 150 smaller in the 1929 year. Sales have shown uninterrupted expansion since the subnormal 1921 year, barring a slight falling off in 1924, with sales in the first six months of 1929 31.9% ahead of the same period of 1928, thus indicating a further gain in profits this year over the balance of $6.28 a share reported in the full 1928 year. While it is possible that sales will be somewhat retarded as a result of a decline in agricultural purchasing power, there seems reasonable assurance that that will be offset to an appreciable extent by enlarged retail store operations thus serving to maintain an upward trend in net earnings. Financial position is comfortable, there seems no serious bar to future substantial expansion, both in scope of operations and earning power, and while existing quotations for the shares might be regarded as discounting immediate possibilities, we are confident patient shareholders will be well rewarded.

Bring Your Insurance Problems to B. Y. F. I.

A College Professor's Investment Program

(*Continued from page 607*)

banks so timed as to come due at various periods during the year. This enabled us to complete a year of graduate study without wrecking our financial structure.

About this point in the development it became clear that some guidance was needed. A friend recommended THE MAGAZINE OF WALL STREET and, after buying two or three copies at news stands I became a subscriber and have remained so with satisfaction. On the basis of its "Financial Independence at Fifty" the residue of the salary income and the entire income from the other two sources has been invested.

To care for the income from investments an "investment trust" was established. With such funds I buy only high grade investment common stocks. These are diversified both as to nature of enterprise and as to geography. Also the dividend dates are conveniently spaced two weeks apart through two-thirds of the year. This "investment trust" is subject to constant and rather automatic growth so other stocks must be purchased as funds accumulate. It is the plan to continue the standards of quality and diversification mentioned above in making such purchases.

The last part of the discussion is left for the incidental income fund. This money comes in as "extras," hence can be risked more freely with consequent greater possibilities of gain—or loss. Such funds, I believe, should be invested for if they are merely spent as an income outside the budget they have a way of vanishing without leaving much trace. With these funds I have formed a "trading company" to buy stocks with the intention of selling them for profit—not the next day or next week but within six months to a year or two. This does not mean wildcat stocks either.

In the three years that the "company" has operated, it has built up a surplus almost equal to the invested capital so the investment is fairly secure even in these days of dizzy security prices. It should be noted, however, as a cardinal principle of such a fund that it is not fundamental to our current living or plans and could be entirely wiped out without causing a break in our regular way of living. Thus one is able to make it a hobby and not a passion and the financial sheet remains a diversion rather than an alternating thrill and panic.

Revival of Arbitrage Trading Explains Odd Security Moves

(Continued from page 585)

many a slide rule user today—was a picturesque character. His background was equally colorful.

Against the south wall of the board room of the New York Stock Exchange, he stood at "the arbitrage rail" behind which were pneumatic tubes connecting the cable office in the basement of the building. He paid to the New York Stock Exchange between $2,500 and $3,500 for the privilege of occupying an 18-inch piece of this brass railing.

Alongside the railing were located the "international stocks" at posts nearest the rail — quotation tickers were added later. By placing themselves near the rail, therefore, Exchange members who did an arbitrage business could receive and deliver messages and orders from and to foreign stock exchanges with astonishing speed.

Although one authority said "the arbitrageur may buy in New York and sell in London and receive a confirmation, all in three minutes," the time was much less according to telegraphers who worked here and in London. At a maximum speed, it required only a few seconds to get a message from the rail to the operator and about forty seconds to send it from New York to London. Cable competition was keen, as a result of test messages sent over competing lines. The cable that won in the test got all the business from the sender for the next fifteen minutes. The extent of this business is indicated by the fact that one telegrapher, while in London, frequently handled 5,000 messages a day from the New York arbitrage-rail.

These flashing cables between Wall Street and Capel Court frequently won or lost millions as rail kings battled for "empires," and established a colorful and romantic background for present day arbitrage trading which grows constantly more important. At the time of the Northern Pacific corner, pre-war arbitrage had reached its zenith here for Americans were already beginning to buy back their securities in foreign markets. The New York Stock Exchange shortly before had prohibited arbitraging between New York and other American cities as it wished its only listings to be bought here in order to exercise control over member firms' dealings.

In 1911, the Exchange forbade "joint accounts"— i. e., accounts between an Exchange member here and some non-member abroad—because of infringements upon the commission law. Exchange members in "joint account" deals frequently received less than the minimum commissions. Since there were no records of transactions and many trades were merely paired off —the clearing corporation then did not exist—and no commissions paid it was difficult to regulate members' conduct.

Closed By the War

The New York Stock Exchange, foreseeing the rush to dump more than $3,000,000,000 of European-owned American securities here, banged its doors shut July 31st, 1914, as the hounds of war yelped. The British Treasury through the imposition of heavy taxes on foreign securities corralled most American shares and bonds and sent them to J. P. Morgan & Co. to be disposed of.

After the war, by the resolution of Nov. 3rd, 1920, arbitraging was resumed but the arbitrage rail was abolished and joints accounts severely restricted with the result that virtually all of this business was handled then by a half dozen firms.

Now that many foreign shares—or their certificates of deposit or American shares—are being traded in here a new type of arbitraging is appearing in this market. Europeans are arbitraging in such securities here or buying and selling them as movements in such issues in New York frequently are wider, because of the limited floating supply, than abroad. About 100 securities, such as the various Marconi Wireless stocks, are meeting increasing favor on the New York Curb Exchange.

The most popular American securities now in the London market follow: Atchison, Baltimore & Ohio, Chesapeake & Ohio, Chicago Great Western, Delaware & Hudson, Kansas City Southern, Great Northern, Louisville & Nashville, Minneapolis, St. Paul & Sault Ste. Marie, New York Central, Norfolk & Western, Northern Pacific, Pennsylvania, Reading, Southern Pacific, Union Pacific, Wabash, American Telephone & Telegraph, International Telephone & Telegraph, New York Telephone, Eastman Kodak, General Electric, United States Steel, Anaconda Copper and Kreuger & Toll.

For Feature Articles to Appear in Next Issue See Page 573

Seaboard Air Line

(Continued from page 599)

The following are the terms of exchange of securities as provided in the plan:

1. Shares of common stock to be changed from par value of $100 each to shares without par value.

2. Holders of adjustment bonds assenting to the plan to be offered for each $1,000 principal amount of those bonds, the following securities:

(a) $500 principal amount of company's first and consolidated 6% bonds.

(b) 15 shares of common stock without par value.

(c) Common stock subscription warrants giving right to purchase the new common, on or before June 1st, 1931, at $30 a share, thereafter and on or before June 1st, 1932, at $35 a share, and thereafter and on or before June 1st, 1934, at $40 a share.

The plan further provides that, if declared operative holders of Seaboard preferred and common stock shall have the right to subscribe to new common shares, "in such number and on such terms as shall be approved by the directors and the adjustment bondholders' committee to yield the company not less than $7,500,000. Holders of the adjustment bonds assenting to the plan shall be entitled to participate in such offering on the basis of number of shares of common stock which they are to receive under the plan."

The $25,000,000 5% adjustment bonds, due October 1st, 1949, are the biggest item dealt with in the proposed re-casting of the company's financial structure to the extent indicated in the plan. Some holders of this security may ask why they should give it up if earnings are to increase steadily and materially in the next few years.

The answer is that, in the first place, adjustment bonds are not desirable purely as an investment. Generally they are issued under a re-organization or a readjustment plan in exchange for securities for which the holders demand some kind of a bond rather than stock.

With the reorganization or readjustment, completed adjustment bonds and likewise income bonds, are of little value to the company, and not a first-class security for the investor. Interest is payable only when earned and declared by the directors. Such bonds are an obstacle when companies having them wish to declare dividends on stock and finance through the sale of it.

Accordingly, they generally get them

out of the way as soon as possible. That is what the Seaboard directors propose to do. The St. Louis-San Francisco Ry. Co. did it last year. In the case of the Seaboard the interest is cumulative. On August 1st of this year the accumulation will be $5,000,000. The last payment was made in February, 1928, covering the coupons which matured on August 1st, 1925.

Although earnings are considerably better, it is officially stated that there is no probability of the company being able to pay on the adjustments this year. It would be impossible also to pay the accumulated interest out of earnings.

In other words, it seems that it would not be wise for adjustment bondholders of the Seaboard to hold on in the hope of their back coupons being paid and of regular payments being made thereafter.

While under the plan, holders of these bonds will get only $500 par value of the consolidated bonds, they will have a bond much better secured, selling much higher than the adjustments and paying fixed interest semi-annually and accruing from September 1st, 1929, at the rate of 6% a year.

This is equivalent to 6% a year on the principal amount of the adjustment exchanged under the plan, and is in contrast to contingent interest at the rate of 5% a year, and not regularly paid so far. It should be borne in mind that the fixed interest on the consolidated bonds is more than 6% a year on the present market value of the adjustments.

Based on market prices at the time the plan was brought out, the indicated market value of the securities to be received in exchange for each $1,000 adjustment bond was $616.25, "in addition to whatever value is attributed to the warrants, as compared with a present market value $490 for each $1,000 adjustment bonds."

The United States Treasury Department has advised the company that it will extend the latter's $14,443,888 debt to the former, falling due between 1931 and 1935, so that none of this debt will mature until the latter year, and then only to the extent of $6,073,400. The remainder will be extended to subsequent dates. Responsible financial interests have contracted with the company for the extension, to July 1st, 1934, of $5,360,000 underlying divisional bonds falling due in July of this year. On the consummation of the plan there will remain no funded debt maturities other than equipment obligations and existing bank loans, to be met during the current year, and only $3,576,038 for the year 1930.

As already outlined, it seems certain that the sections of the south traversed

by the principal lines of the Seaboard are well started in a period of reconstruction and recovery from the Florida real estate boom and collapse and other misfortunes to which reference has been made, and likewise that the earnings of the Seaboard are well started in the right direction.

The principal need of the company just now is to be able to put through the readjustment plan. At the special stockholders' meeting on July 10th there were presented proxies for more than enough stock to carry it through. This indicated that the plan has the approval of the stockholders. Final figures on the deposit of adjustment bonds are not available at this writing. By the time, or before, it is necessary to take up the question of maturing obligations again, it should be in a satisfactory position to take those steps, in ways advantageous both to the company and security holders.

American Telephone and Telegraph

(*Continued from page* 604)

Actually, however, this direct cash return only partially measures the revenue producing capacity of an investment in American Telephone. The communication field, in which this colossal enterprise is engaged, has possibilities for expansion limited only by the growth of the United States. What this growth means in the way of increasing equities, on the one hand, and for enhancement in apparent yield on the other, is best demonstrated by looking back upon the company's past record.

To meet the ever increasing demand for service, American Telephone must spend huge sums annually upon its own plants and equipment and those of its associated companies. The resultant financing has been productive of valuable subscription rights to shareholders. In recent times such rights were issued in each alternate year, beginning with 1922 and in the current year, the refunding of 219 millions of bonded debt led to a further issue of rights to common stockholders.

Taking the average between the high and low open market quotations of these stock rights and averaging the total of this high-low average for the past seven years, the holder of American Telephone has received, in addition to a $9 annual cash dividend, an average yearly additional return of approximately $4 a share or a total of $13.

Since it is obviously the policy of the company to give its shareholders participation in its constantly expanding business through the medium of these periodic rights, rather than through an increase in cash dividends, and since the probable average value of future rights will not fall appreciably under past experience, due weight should be given to this factor in computing the income return afforded by Telephone. *Considered in this light, the stock, even at its present record high around 250, yields in excess of 5%, a fair enough return, in the light of current standards, particularly for an issue representing an industry enjoying unremitting growth.*

Trade Tendencies

(*Continued from page* 605)

sure and present and future prices, allowing his stocks to vary with trade conditions. Production, production prospects and stocks of the consuming industries are the only accurate barometers of actual requirements.

During the first five months this year, iron and steel needs were very large—originating in the heavy consumer production schedules which in numerous instances were at record-breaking proportions—so large, in fact, that steel manufacturers could not keep pace with demand. As a result, buyers became insistent and heavy mill backlogs accumulated. The recent decline in automobile output released approximately 5% of total steel production and some slight summer curtailment in other lines during the past two months has allowed steel producers to reduce their backlogs (although these still maintain fair proportions) and to fill current orders with less delay. Buyers, therefore, assured of quicker delivery and faced with prospect of no drastic price change, have altered buying policies to conform with trade conditions. It is not to be inferred, however, that a sharp tapering off in demand and production is an immediate prospect. Consuming activity is unusually pronounced for the season and indications seem favorable for continued large scale operations.

Prices on a few finished products have dropped slightly. On the whole, however, quotations are firm with expectations that present levels will hold throughout the summer.

While some further decrease in activity may occur due to protracted heat and failure of production units, output is expected to set a new July record and the situation has lost little of its healthy tone.

AGRICULTURE

Recent favorable developments in the grain and cotton markets have helped to some extent to relieve the general agricultural uncertainty which has been prevalent and to revive the farmer's confidence in fair returns for this year.

Continued reports of short crops due to bad weather and grain disease in producing areas, increased exports and decreased stocks have pushed wheat prices to higher levels. Further reductions in crop estimates may raise quotations above those of last year. Adverse weather conditions in the Canadian Northwest, previously discussed in these columns, have already exerted an influence on wheat prices, with the year's crop now estimated at around 300 million bushels compared with 510 million last year.

Corn is fair and firm. The estimated acreage is smaller than that of last year. No excessive stocks of old grain have been reported and although planting in many sections was delayed because of a wet spring, recent conditions have been favorable for a good yield per acre.

The cotton situation is somewhat more complicated. Recent reports of unfavorable weather and dominant weevil have caused reductions in previous crop estimates, and latest Government bulletins show that the acreage increase is not as large as was expected. These factors have resulted in

a better market tone with improved prospects for planters and traders. However, it is still too early to take a decided stand as weather conditions during the next few weeks may change the entire aspect of this product.

Farm Relief will play some role in the agricultural situation, just how important or how successful application alone will tell. In any event, farm buying power should not receive the serious blow that seemed likely earlier in the season.

AUTOMOBILE

Heavy Production of Low Priced Cars

Establishing new records from month to month, automobile production reached a new half year high at the close of June, showing a 45% increase over the corresponding period in 1928. It must be noted, however, that while May and June were both record months, a decline of 18% from the April peak was registered and output in June was about 11% below May. Of further significance is the fact that the present curtailed rate of output is about equal to last year's high.

One factor that tends to modify the general impression of the preceding statements is the fact that the industry exclusive of Ford, increased output by 15% in the first five months of the year compared with 1928, while Ford's production gained practically 500% during this same period. Capacity operations of other low priced car manufacturers have also helped swell production totals. The present situation is further clarified when one considers that Ford's total June production estimated at over 200,000 units creates a new high level whereas reports by the National Automobile Chamber of Commerce show estimated output of other manufacturers to be 321,309 units—a decline of 12½% from June, 1928.

Exports of automobiles, passenger buses and trucks have had substantial increases, and improved selling efficiency in foreign fields is expected to keep volume high. In spite of the current recessions a record year for automobile production seems assured, and unless dealers' stocks, already large, become too unwieldly, the industry should be able to continue its present position.

For Feature Articles
to Appear in the Next Issue
See Page 573

To Building and Loan Investors:—
We are endeavoring to give our subscribers and readers more explicit information on their B. & L. holdings. Therefore, we will be pleased to give you an opinion on any individual Association located in the United States, provided we have available data on which to base an opinion. Address Building & Loan Association Dept., The Magazine of Wall Street, 42 Broadway, N. Y. C.

Statistical Record of Business

	Week Ended July 13, 1929	Week Ended July 20, 1929	Year Ago
Volume Stock Exchange Transactions (shares)	23,152,330	23,029,940	6,970,004
Average Price Magazine of Wall Street Index	168.4	169.1	124.8
Volume Bond Transactions	$75,066,200	$68,737,000	$43,634,300
Average Price 40 Bonds	86.67-86.44	86.62-86.44	90.11-89.82
Brokers Loans (Federal Reserve)	†$5,755,000,000	‡$5,813,000,000	$4,194,000,000
Comm'l Loans Federal Reserve Member Banks	$9,165,000,000	$9,195,000,000	$8,924,692,000
Federal Reserve Ratio	73	73.8	69.5
Gold Holdings	$3,062,039,000	$3,097,676,000	$2,758,836
Rediscount Rate, N. Y.	5	5	5
Debits to Individual Accounts	†$18,048,000,000	‡$14,703,000,000	$14,378,000,000
Call Money	9	7	5
Time Money (90 days)	7½ @ 7¾	7¾ @ 8	6
Commercial Paper	6	6	5
Acceptances (90 days)	5¼ @ 5⅛	5¼ @ 5⅛	4½ @ 4⅝
Dun's Business Failures	440	376	426
Weekly Food Index (Bradst's)	$3.33	$3.36	$3.41
	June 1	July 1	
Wholesale Prices (Bradst's)	$12.46	$12.49	$13.14

Industrial Barometers

	April	May	Year Ago
U. S. Steel Unfilled Tonnage	4,427,763	4,304,167	3,416,822
Steel Ingot Production	4,938,025	5,273,167	4,302,573
Pig Iron Production	3,662,625	3,898,082	3,283,861
Pig Iron Furnaces in Blast	215	219	198
*Copper Production (short tons)	110,313	108,961	67,423
Car loadings	3,983,978	4,205,709	4,005,155
Automobile Production	620,656	603,968	425,990
Building Permits (Bradstreet's)	$476,719,015	$190,849,600	$244,398,000
Petroleum Production (bbls.)	80,110,000	82,499,850	73,476,300
Bituminous Coal Production (net tons)	36,888,000	40,172,000	36,624,000
Cotton Consumption (bales)	613,710	668,229	577,384
Spindles active	30,924,184	30,910,282	28,948,144
Wool Consumption (lbs.)	49,204,924	48,764,676	43,911,051
Railroad Earnings	$94,204,113	$103,616,046	$88,221,666
% on Railroad Property invested	6.08	5.81	5.02

Foreign Trade

	April	May	Year Ago
Merchandise Exports	$427,000,000	$387,000,000	$422,557,000
Merchandise Imports	$409,000,000	$401,000,000	$353,000,000
Gold Exports	$1,594,000	$467,000	$83,689,000
Gold Imports	$24,687,000	$24,097,000	$1,968,000

Distributive Trades

	April	May	Year Ago
Mail Order Sales index number* 1923-5—100%	129	142	113
Chain Stores Sales index number 1923-5—100%	184	178	156
Dept. Stores Sales index number 1923-5—100%	105	107	103

* U. S. Mines. † July 17, 1929. ‡ July 10, 1929.

KEEP POSTED

OUR BUSINESS

The small loan field as a profitable investment is fully described in a booklet issued by the National Cash Credit Association and entitled, "Our Business." A copy will be forwarded without charge upon request. (449).

HOW TO INVEST MONEY

is the title of a new booklet published by S. W. Straus & Co. It describes various types of securities and is a valuable guide to every investor. A copy will be sent free on request. (489).

(See page 646)

New York Curb Market

IMPORTANT ISSUES

Quotations as of July 17, 1929

Name and Dividend	1929 Price Range High	1929 Price Range Low	Recent Price
Aluminum Co. of Amer.	414⅛	146	401
Aluminum Pfd. (6)	108¼	103½	§104
Amer. Cyanamid "B" (1.60)	69	39⅛	64
Amer. Gas Elec. (1)‡	224⅞	128	211⅞
Amer. Super Power A	65	25⅞	59⅝
Assoc. Gas Elec. "A" (2.40)	61⅛	49¼	59
Centrif. Pipe (0.60)*	13	7	8
Cities Service (.30)†	45⅛	28⅛	45⅛
Cities Service Pfd. (6)†	98¾	93½	94
Cons. Gas of Balt. (8)	160	88⅛	143¼
Consolidated Laundries	21	15¾	16⅛
Durant Motors†	20	9	11
Elec. Bond Share (1)†	142⅞	73	135⅞
Elect. Investors† (6% stk.)	264¾	77½	246
Ford Motors of Canada A	69¼	43¼	50¼
Ford Motors, Ltd.	21⅞	15	17½
General Baking*	10⅞	6¼	8
General Baking Pfd.* (6)	79⅛	67½	74
Glen Alden Coal (10)†	139	118½	124
Gulf Oil (1.5)†	202⅞	142⅛	192
Happiness Candy Stores (1.40 stk.)	5⅜	2	2¾
Hecla Mining (1)	23⅞	16	17¼
Hygrade Food Products	49⅞	34⅛	38⅝
International Utilities B	22⅞	14½	18⅝
Insur. Securities Inc. (1.40)	32⅞	25	28½
Lion Oil Refining (2.[illegible]5)*	38⅞	23⅛	§34⅛
Lone Star Gas (new)	40	32¼	39
Metro Chain Stores	89	70	§70½
Mountain Producers (1.60)†	22⅞	12	12⅛
National Fuel Gas (1)	37¼	27¾	35⅜
New Mex. & Arizona Land†	9⅜	5⅛	6⅜
New Jersey Zinc (new) (3)	87¾	75⅜	83⅜
Nipissing Mining (30c)*	3¾	2½	2⅝
Pittsburgh & Lake Erie (5)	156⅞	135⅛	154⅞
Salt Creek Producers (2)†	25⅞	14⅝	15
So'east Pwr. & Lt.	87⅝	27⅝	70
So'east Pwr. & Lt. (4)	138	71⅛	124
Stutz Motors*	34	12	14⅛
Tobacco Products Export†	3⅜	2	2¼
Transcontinental Air Trans.	33⅞	21½	25⅛
Trans Lux	24	5⅜	10⅝
Tubize Artif. Silk† (10)	550	305	399
Tung-Sol (new) (2)	49⅜	42	45
United Gas & Improv't (4½)	294⅞	155⅛	293⅞
U. S. Gypsum (1.60)	75⅛	56	72¾
STANDARD OIL STOCKS			
Continental Oil	29	17¼	19⅝
Humble Oil (2)	126⅞	89⅝	124¾
Internat. Pet. (37½) (new)	30⅜	22½	26⅛
Ohio Oil (2)	75⅜	64⅛	70½
Standard Oil of Ind. (2½)†	63	54	55⅝
Vacuum Oil (4)†	133¾	105½	121¾

* Listed in the regular way.
† Admitted to unlisted trading privileges.
‡ Application made for full listing.
§ Bid price.

Alleghany Corporation

(Continued from page 591)

1944 have already been converted.

The common stock of the Alleghany Corp. is listed on the New York Stock Exchange, as is also the preferred stock, but this latter is still quoted with common stock purchase warrants attached (to purchase one and one-half shares of common at $30 per share). When sufficient of these purchase warrants have been exercised, and enough of the bonds have been converted so that there is a considerable amount of this 5½% preferred stock outstanding, a separate market will be quoted for this stock without the purchase warrants. In figuring the value of the stocks into which the bond is convertible, a theoretical value for the preferred stock must be computed. The market for the stock with warrants attached is 106. Deducting the present worth of these rights, the preferred stock alone is worth about $90 per share. The common stock is currently quoted about 41, so that on this basis the bond has a convertible value of approximately 104. The leverage power in the bond lies chiefly in the common stock into which it is convertible and the price will therefore move with the common stock.

The bonds are redeemable at the option of the company in amounts of not less than $5,000,000 on any interest date (and as an entirety on any date) at 102½ and accrued interest. The bond is currently selling at this price on the New York Stock Exchange, so that the purchaser now will not be paying a premium in event the bond should be called, possibly at a time before it has had the chance to benefit by a big move in the common stock.

Concerning earnings of the company, these will be derived from dividends and income received on securities held, and on profit from the sale of the securities holdings. No earnings have yet been officially reported, but the first statement will cover the three months' period ended June 30th, 1929. The earnings, however, will cover interest requirements on the bonds by a wide margin. There is a market equity behind the $59,985,000 bonds of more than $190,000,000 at current prices

With a better outlook ahead for railroads, there are prospects in the next few years of substantial dividend increases which naturally should benefit Alleghany Corp. As in many other holding companies or investment trusts, the security holder must put his faith in the management. The Van Sweringens have the reputation of making money for those who have stayed with them in their undertakings so far which seems to have a direct bearing on the situation.

Financial Personalities

HERBERT F. PERKINS, first vice president of the International Harvester Company for the past seven years and a member of the organization since 1898, has been elected president of the company to succeed Alexander Legge whom President Hoover recently appointed chairman of the Farm Board. In accepting the resignation of Mr. Legge, Cyrus H. McCormick, chairman of the board of directors paid high tribute to "his foresight and faculty in helping to build up for the company a strong organization composed of able and experience executives."

* * *

GEORGE L. LEBLANC, vice president of the Equitable Trust Company, in charge of its foreign banking department, has recently been elected president of the Interstate Trust Company. George S. Silzer, whom Mr. LeBlanc succeeded, has been elected chairman of the board, a position made necessary by the rapid growth of the trust company.

* * *

R. EMERSON SWART, who has been associated with the firm of P. W. Chapman & Company since 1922 and was elected one of its vice presidents in 1925, has been elected president of the Community Water Service Company. Mr. Swart, who is twenty-eight years old, becomes by this election one of the youngest public utility executives in the country.

* * *

J. A. BOHANNON, formerly vice president of the Marmon Motor Car Company, has been elected president of the Peerless Motor Car Company.

* * *

JOHN NORTH WILLYS has resigned the presidency of the Willys-Overland Company, which he founded twenty-one years ago, to become chairman of the board. Mr. Willys expects to remain in close contact with the business but desires a greater degree of freedom from responsibilities than the office of president would permit him. Linwood A. Miller, who has been first vice president for the last four years and has been associated with the company since 1914, has been elected president to succeed Mr. Willys. Marshall Field and Charles M. Glore have been elected directors of the company.

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	20 Rails	N. Y. Times 50 Stocks High	Low	Sales
Thursday, July 4	HOLIDAY—EXCHANGE CLOSED					
Friday, July 5	86.62	344.27	167.42	278.55	271.69	3,747,640
Saturday, July 6	86.61	344.66	168.00	277.94	273.87	1,586,260
Monday, July 8	86.55	346.55	169.48	280.45	274.95	3,522,160
Tuesday, July 9	86.59	345.57	168.85	278.80	274.27	4,247,250
Wednesday, July 10	86.67	343.30	168.80	278.16	273.14	4,209,630
Thursday, July 11	86.54	343.04	168.74	277.28	273.42	4,211,310
Friday, July 12	86.52	346.37	169.95	278.72	273.46	4,759,180
Saturday, July 13	86.44	345.94	174.78	280.11	276.05	2,202,800
Monday, July 15	86.44	341.93	178.07	281.48	275.64	4,286,020
Tuesday, July 16	86.46	344.24	177.48	282.60	276.70	4,501,920
Wednesday, July 17	86.54	345.63	177.52	280.07	279.03	4,357,620

Recent Reported Earning Position of Leading Companies

This department serves to provide a current record of earnings reported by leading companies. Each issue covers only those reports which are received during the fortnight immediately preceding. Net worth is calculated from the latest available balance sheet; and earnings thereon serve to measure the profit position of the company in relation to its stockholders' investment. The ratio of debt to net worth indicates, by a percentage figure, the extent of bondholders' claims as compared to stockholders' equity.

Industrials

Company	Period of Report	Earned per Dollar of Net Worth	Ratio of Debt to Net Worth	Earned per Share of Common	Market Value July 15, 1929, Times Earnings	Dividend Rate
Acme Steel	6 mos.	NR	NR	6.31	9.8(g)	4
Air-Way Electric Appliance	6 mos.	NR	NR	2.05	10.2(g)	2(a)
American Chicle	6 mos.	.14	ND	2.27	14.0(g)	2
Amer. International Corp.	6 mos.	.08	ND	2.38	16.2(g)	2(a)
American Piano	Year	(d)	ND	(d)	—	—
Bohack (H. C.)	5 mos.	.04	ND	2.32	13.7(g)	2½
By-Products Coke	4 mos.	.05	48	3.82(b)	13.7(bg)	2(a)
Century Ribbon Mills	6 mos.	.01	ND	.24	24.0(g)	—
Consolidated Film Industries	6 mos.	.14	1	1.65	6.7(g)	2
Consolidated Laundries	24 wks.	.08	86	.75	9.9(g)	—
Continental Baking	25 wks.	.06	9	3.97-A .13-B	10.2(g) 51.3(g)	— —
Crown Zellerbach	Year	.06	32	1.72	11.1	1
De Forest Radio	6 mos.	.05	ND	.21	33.0(g)	—
Eaton Axle & Spring	6 mos.	.11	7	4.01(b)	7.8(g)	3
Gillette Safety Razor	6 mos.	.16	ND	4.00	14.0(g)	5
Hollander (A.) & Son	6 mos.	.12	ND	1.68	6.1(g)	—
Independent Oil & Gas	6 mos.	.10	22	2.63	6.4(g)	2
International Cement	6 mos.	.07	54	3.50	11.4(g)	4
International Safety Razor	6 mos.	.05	ND	1.70	10.0(g)	2(a)
Intertype Corp.	6 mos.	.06	14	1.82	10.5(g)	1(a)
Kresge (S. S.)	6 mos.	.09	20	1.26	19.8(g)	1.60
Madison Square Garden	Year	.11	41	1.51	11.9	1½
Martin-Parry Corp.	9 mos.	(d)	ND	(d)	—	—
Miller (I.) & Sons	6 mos.	NR	NR	2.20	11.8(g)	2
Motion Picture Capital	6 mos.	.16	2	4.16	6.6(g)	—
Murray Corp.	4 mos.	.06	.16	2.23	13.6(g)	3
Nash Motors	6 mos.	.21	ND	3.93	10.9(g)	6
National Aviation	6 mos.	.33	ND	5.50	6.4(g)	—
Otis Elevator	6 mos.	.09	ND	7.18	26.7(g)	6(a)
Texon Oil & Land	4 mos.	NR	NR	.77	6.1(g)	—
White Eagle Oil	6 mos.	.05	33	1.45(b)	11.0(bg)	2
Young (L. A.) Spring & Wire	6 mos.	.20	11	4.61	7.6(g)	2(a)

Railroads

Cleve., Cincin., Chic. & St. Louis	1928	.07	139	17.69	15.5	8
Pennsylvania	1928	.08	47(s)	7.35	13.2	4
Pittsburgh & Lake Erie	1928	.08	3	8.30	18.1	5

Public Utilities

American Tel. & Tel.	6 mos.	.05	23	6.15	20.2(g)	9
Engineers Public Service	12 mos.	.06	73	2.61	23.2	1(a)
Federal Water Service	12 mos.	.08	229	3.02-A	21.9	2
General Public Service	12 mos.	.15	36	3.06	18.9	6(e)
Pacific Gas & Electric	12 mos.	.08	115	3.07	18.5	2
Pacific Lighting	12 mos.	.09	140	4.55	20.8	3

(a) And extra. (b) Before taxes. (d) Deficit. (e) Initial dividend payable in stock. (g) Based upon estimated yearly earnings as indicated by period reported. (s) Including obligations of subsidiaries. ND—No funded debt. NR—Unavailable.

Industrial Prosperity Flows from the Chemical Laboratory

(Continued from page 588)

made available to farmers the country over. One of the chief benefits expected from the recently enacted farm relief laws will be that of improving the credit of the farmers and enabling them to secure the fertilizers necessary to restore the productiveness of their lands, to the benefit not alone of the farmer himself but also of the fertilizer manufacturers.

Examples of the close relationship existing between chemistry and other industries could be multiplied indefinitely but enough have already been cited. In passing, it should at least be mentioned that in medicines chemistry has again proven of an importance which would be very difficult to overestimate. Delicate and patient experiments have in a great many instances produced new compounds which have finally relieved man from scourges of disease which have followed him through the centuries. Such work also has its due economic rewards and numerous prosperous organizations are now engaged in the manufacture of drug products and household remedies having their basis in the science of chemistry.

It is obvious that in this great group of industries so vitally associated with the welfare and progress of the country there are many companies whose securities occupy prominent places in the minds of investors, and the high favor with which stocks of the strongest and most prosperous companies in the field are regarded is shown by the low income return available on such stocks at present prices. This likewise indicates the high degree of caution which must be exercised in selecting such issues for purchase in the present market, for it is not enough to know that a company has brilliant prospects for continued expansion and increasing earning power but these prospects must not be discounted too far in the future. Many of the best stocks in the chemical group have enjoyed such rapid price advances during the last few months that the investor must temper his favor with discrimination. The accompanying statistics and comment should be helpful in this direction.

For the longer term, however, and particularly when market reactions make such stocks available at any considerable discounts, chemical stocks of the better grade offer investors some of the most attractive opportunities in the industrial list.

Building and Loan Associations

We will be glad to answer questions regarding Building & Loan Associations, provided that the information available on the association under consideration is sufficiently complete to warrant an opinion. Address, Building & Loan Ass'n Department, c/o The Magazine of Wall Street, 42 Broadway, New York City.

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April 6, 1921 $0.00
March 31, 1922, $147,608.20
March 31, 1923, $272,463.58
March 31, 1924, $500,130.44
March 31, 1925, $750,097.74
March 31, 1926, $1,208,168.28
March 31, 1927, $1,557,991.60
March 31, 1928, $2,116,982.70
Mar. 31, 1929, $2,735,050.05

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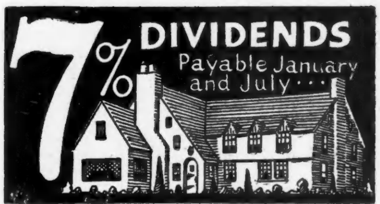

The prudent investor wants first,—safety—then "better-than-average" return. Building and Loan meets these requirements.

This association has for distribution a new booklet entitled "Building and Loan as an Investment," that is very informative and interesting to any prospective investor. Sent free upon request.

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8% We pay 8% cash dividends, payable quarterly on Fully Paid Shares.

San Angelo Bldg. & Loan Assn.
(Under State Supervision)
20 West Twohig San Angelo, Texas

Florida

INCREASE YOUR INCOME 33⅓% on Your Re-Investments

8% DIVIDENDS on our Full Paid Shares are payable 2% quarterly. Compared with 6% securities, this assures you an increase of 33 1/3% in your income, with the utmost assurance of safety and security.

CONSERVATIVE management, State supervision and complete income tax exemption features.

Prompt attention to mail inquiries

P. O. Box 1318-T

Booklet for Investors

OUR BOOKLET, "8% and Safety," tells the story of the Orange County Building and Loan Association, located in prosperous Orlando and Orange County, Florida. Assets have grown from $11,000 to $3,340,997.81 in six years. $641,633.78 has been paid in dividends to over 3,000 stockholders. Has always paid 8%, payable semi-annually. Shares offered at par, $100, without bonus or commission of any kind. Write for booklet.

Orange County Building & Loan Assn.
Orlando, Florida

Kentucky

Invest with Safety in our

7% Paid-Up Stock $102 Per Share

All funds secured by first mortgages on Louisville and Jefferson County real estate. This Association has always paid withdrawals on demand.
This Association is under the supervision of the State Banking Commissioner.

Resources $6,000,000
Stockholders in thirty states.
Literature and financial statement on request.

GREATER LOUISVILLE SAVINGS & BUILDING ASSOCIATION
Incorporated
Greater Louisville Building, LOUISVILLE, KY.
Tune in on WHAS for Greater Louisville Hour every Saturday 10 P. M. Central Standard Time.

What Is Back of the Rise in Rail Stocks?

(*Continued from page 597*)

of reproducing the railroads, and not base their valuations simply as of June 30, 1918, and on prices as of June 30, 1914.

In the June 1 issue of this magazine, I mentioned the following as some of the practical and most probable effects of the decision upon the railroads and their millions of stockholders.

1—Greater stability for the securities of the railroads.

2—A more active investment and speculative demand for those securities and, presumably, *higher prices for many of them.*

3—Greater ease in the raising of new capital on terms advantageous to the steam carriers and their security owners.

4—Higher dividends by some strong companies, initial declarations by others, and increased safety for rates that have been uncertain, chiefly because of low valuations.

These are the very points that have been actively discussed in connection with the big upward movement in railroad stocks in recent weeks. A better realization of their accuracy and importance was one of the outstanding reasons for this movement.

Of course, in addition to the strong physical and financial position of the railroads, and the highly important O'Fallon decision, the big factor in the market for the Rails, so far as actual events are concerned, has been the notable increase in both gross and net earnings for the first half of this year.

First Five Months' Increase

Class I railroads reported for that period combined gross revenues of $1,864,233,006, an increase of 5.1% over the corresponding period of 1928. Net railway operating income for the same period of this year aggregated $457,362,036, an increase of $81,052,055 over the first five months a year ago. The figures for this year were equal to 5.60% on the aggregate investment, last year to 4.68%.

Carloadings for the last week of June, the first six months of this year ended with that month, and for the first week of July—the latest available at this date—clearly indicate further big gains in both gross and net earnings for June and for the first six months, and likewise for July, the first month of the second half of the present fiscal year.

For the week ended June 29 aggregate loadings for Class I railroads were 1,059,722 cars, larger than for any one week of this year up to that time—an increase of 26,678 over the previous week, 92,025 over the corresponding week of 1928 and 74,286 larger than for the like week of 1927.

For the first six months of this year, or the 26 weeks ended with June 29, aggregate loadings were 25,596,938, a gain over 1928 of 1,135,165 and of 75,898 cars over 1927.

How about the rest of this year? As already indicated, the second six months have started well. Reports of carloadings by individual roads for the second and third weeks of July also disclosed substantial gains in comparison with 1928 and 1927. Investors and speculators in railroad stocks are assuming that freight traffic and earnings for the second six months of this year, and thus for the entire twelve months, will be much better than for last year. They are not particularly disturbed over the wheat situation in the northwest.

But in looking to the future, no more than the rest of this year, speculators who have been buying railroad stocks extensively, have visualized much more than large earnings alone. They have been figuring these earnings in the terms of increased cash dividends, extra cash disbursements, and even large stock dividends. There is justification for this kind of figuring with respect to several of the large systems whose stocks have been conspicuous in the recent rise.

What Shareholders May Expect

In this category, New York Central, Southern Pacific and B. & O. may be mentioned prominently. It is to be doubted that George F. Baker, owner of thousands of shares of New York Central, influential director and member of executive committee, will be satisfied until he sees the stock of that company on a 10% annual basis. It is now 8%.

Southern Pacific directors are extremely conservative and have held off tenaciously on increasing the dividend from 6 to 7%. Such an advance is bound to come, perhaps at the November meeting this year.

The B. & O. board, also conservative, would like to see its stock likewise on a 7% basis. Earnings are much larger than for 1928. Action may be taken at either the September or December meeting.

As for extra cash distributions, railroads like Atlantic Coast Line and Lackawanna are practically certain to continue them at the same rate this year as in recent years.

Wall Street is thinking of something more still in the way of extraordinary developments. Much is said about the possibility of valuable rights to New York Central stockholders. They are more than probable. The company will need new capital for electrification, the extensive West side improvements in this city and improvements in other big cities along its system. The money probably will be raised, to a large extent, through the offering of stock to shareholders on favorable terms.

The Van Sweringens can be depended upon to be liberal in the matter of dividends of all kinds on the Chesapeake & Ohio, Pere Marquette and Nickel Plate. They will begin them on Erie common as soon as the situation warrants. Owners of Chesapeake Corp. and Alleghany Corp. stock are bound to get returns accordingly.

Speculators are also vizualizing renewed activity, on a big scale, with respect to railroad consolidation during the autumn and winter. They are predicting big developments relative to the eastern situation, although to the experienced observer it appears to be getting more muddled with each successive plan that is filed with the I. C. C.

The dismissal by that body of its citation preceedings against the Kansas City Southern and M.-K.-T. and the recent heavy buying of those stocks—for account of the Van Sweringens, according to persistent reports, have been taken in some circles as preliminary to a merger of those roads with the Missouri Pacific, in which the Cleveland brothers are admittedly large owners.

Such an undertaking would offer still further speculative opportunities in all those stocks, and would be, if granted, a particularly large and significant merger.

L. F. Loree has come into the open with another merger plan and is likely to add to the gaiety, as well as the confusion, of the eastern situation.

I have given roughly the picture—actual to June 30—prospective for the rest of this year—out of which the big rise in railroad stocks has been made. As to how much further it will go I would not undertake to predict. I do not hesitate to suggest, however, that the basic features of the railroad situation are likely to change only for the better between now and Dec. 31st next. What will develop out of this situation for railroad stockholders in the way of dividends, and marketwise for their shares, is another matter.

In the meantime it may be well to keep an eye on the table presented in connection with this article.

Insurance Department

(*Continued from page 611*)

of your living to the maturity date—yielding the proceeds of the policy to yourself at a time when such funds would be particularly appreciated and desirable. You could request the inclusion of the Disability Benefit in this policy, and if you have no physical impairment which would mitigate against this additional benefit in your policy, you could thus provide against the possibility of total and permanent disability in the future.

If you feel definitely that you do not need protection for a beneficiary, then you may be interested in a Deferred Annuity, or a "Deferred Income Bond" as termed by some of the life companies. This contract provides for the payment of a monthly income for life beginning at the end of any full number of years from its date. If written without the Disability Benefit, this class of coverage is particularly adapted to those who are not eligible for life insurance, as no medical examination is required. In event of the death of the annuitant before the first payment under the bond becomes due, the full amount of premiums is paid to a named beneficiary. If death of the annuitant occurs after he has entered on his income payments, the excess amount of premiums paid over income payments made by the company will revert to the given beneficiary.

For the Business Woman

Insurance Editor:

I am a business woman—age 43—I have just inherited $35,000. This money I am going to place in good bonds, stocks, etc. I am not a novice at this—but what I would like to do is to take a few thousand and purchase a deferred annuity. Could you tell me the lump sum I would have to pay for such an annuity, the company to keep the money in case of my death before reaching that age? *M. H.*

You should set aside a few thousand dollars to make provision for an income in old age which would be absolutely certain, and not be subject to the usual hazards of investments; or to the dangers arising from a sympathetic heart, when "hard luck" stories are told and friends want loans.

Deferred annuities by single premium are not often published by companies. You should ask three or four companies for their rates; they will be glad to give them. Roughly speaking, at age 43, the cost of a deferred annuity of $100 a month, commencing at 63 without return in event of death, might be under $5,000. If you send a stamped-addressed envelope we shall be glad to give you names of three or four companies who quote such annuities.

KEEP POSTED

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by business houses of the highest standard. They will be sent free on request, direct from the issuing houses.

PLEASE ASK FOR THEM IN NUMERICAL ORDER

We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.

STANDARD OIL ISSUES
We have available for distribution descriptive circular on all the Standard Oil issues. (219).

THE PARTIAL PAYMENT
method of purchasing good securities in odd lots and full lots on convenient terms is explained in a free booklet issued by an old established New York Stock Exchange House. (224).

ODD LOTS
A well known New York Stock Exchange firm has ready for free distribution a booklet which explains the many advantages that trading in odd lots offers to both small and large investors. (225).

A SUGGESTION TO INVESTORS
This booklet explains in detail the features of Odd-lot investing. If interested, the prominent New York Stock Exchange firm issuing this booklet will be pleased to send you a complimentary copy. (278).

"BUILDING A LARGER INCOME WITH SAFETY"
A 36-year old investment house has issued this booklet containing practical information on how to obtain the five cardinal qualities of safe and profitable investment. (285).

THE BACHE REVIEW
By reading this timely booklet but ten minutes a week you will be able to judge the market more accurately. Sent for three months without charge. (290).

THE KNACK OF CORRALLING DOLLARS
is the title of an instructive booklet issued by The Prudence Company, Inc. It points the way to financial independence through the accumulation of guaranteed Prudence-Bonds. Among other things, it shows how they may be purchased through monthly payments of $10 or more, the investor receiving 5½% interest on his payments. A copy of this interesting booklet will be sent to you without obligation upon request. (316).

FOR INCOME BUILDERS
This booklet describes a practical Partial Payment Plan, whereby sound securities may be purchased through monthly payments of as little as $10. Shows how a permanent, independent income may be built through the systematic investing of small sums set aside from current earnings. (318).

THE REAL ESTATE INVESTMENT OF THE FUTURE
Mr. Fred F. French, one of the country's foremost real estate authorities, has explained the operation of the French Plan in the above mentioned book. Send for your free copy. (348).

KEEPING THE INVESTOR INFORMED
How owners of the securities of one of the largest organizations of its kind are kept informed regularly of earnings, developments and plans of the great industries back of their holdings. (362).

MAKING PROFITS IN SECURITIES
Are you profiting by the major and also the minor swings of the market? If not, you will be interested in the above booklet issued by a leading financial service in New York City. (377).

CONSISTENT INVESTMENT SUCCESS
The sound investment principles followed by the Brookmire Service and the adaptability of these principles to the requirements of every investor large or small, is described briefly in this interesting booklet. (413).

MAKING MONEY IN STOCKS
If you are interested in the stock market you will enjoy reading the recent book published by the Investment Research Bureau. It describes in detail the Bureau's Financial Service, and will be mailed to you free upon request together with current stock market and special reports. (425).

MARKET ACTION
is the title of a bulletin issued every week by a large financial service house, which will keep you advised of the opportunities offered with every turn of the market. Send for your complimentary copy today. (493).

CONVERTIBLE SECURITIES
During the past few years there has been a decided trend among investors toward securities of the convertible type. The reason for this is to enable holders of fixed income securities, such as bonds and preferred stocks, to share in some measure with the common stockholders in the future growth and prosperity of the issuing corporation. If you are interested in this attractive form of security, send for an interesting 24-page booklet issued by Geo. H. Burr & Co., a prominent investment house, which contains a list of promising convertible preferred stocks and bonds. Ask for 494.

INCREASING YOUR INCOME RETURN
The three factors that enter into the stability of a security are indispensability, growth and protection. Public Utility securities having these all-important attributes offer you the ideal investment. The firm of G. L. Ohrstrom will gladly mail you free of charge a copy of their interesting 20-page booklet, "Increasing Your Income Return," which contains some attractive public utility investment sponsored by this well-known house. Ask for 495.

"CORPORATION EARNINGS"
Many factors influence short market swings but for the long pull investor nothing is more important than corporation reports showing earnings on common stocks and the comparison with previous year indicating earning TRENDS. Ask for a free sample of "CORPORATION EARNINGS." (496).

MONEY TALKS
is the title of an interesting leaflet describing 8% quarterly dividends of a conservative, well managed building and loan association. Substantial cash reserves provide availability of investors' funds, and first mortgages on homes establish thorough safeguards and diversification of principal. Write name and address on margin and mail today. Check this number—(497).

TOBEY & KIRK MARKET LETTER
contains each week in addition to a resume of the market some worthwhile suggestions in specific investments. Send for your free copy. (498).

EACH WEEK
In the market letter issued by McClave & Company, prominent New York Stock Exchange house, a short history, present position and prospects for the securities of a company whose stock is listed on the "Big Board" is given. Send for 499.

"THE ONE BEST INVESTMENT"
Where to find it—How to judge it. Send for your free copy. (500).

WINGS OF INDUSTRY
is the title of an aeronautical security publication, issued by a Wall Street house and should be read for the investment suggestions that it carries. A complimentary copy will be gladly sent you on request. (502).

STOCK MARKET PROFITS—MAKING MONEY WITH MONEY
An interesting booklet, describing thoroughly tested and successful methods employed in profitable stock market trading. Also a unique "One Outstanding Stock" method for the investor with limited funds. (504).

BTI
The investing public is now realizing that through their large earning power, and consistent growth, the capital stocks of New York banks and Trust Companies offer investment possibilities. Send for the stock records of all these institutions listed in this attractive folder. (512).

A DICTIONARY OF INVESTMENT TERMS
is the title of a very interesting booklet offered free to investors by a leading Chicago bond house dealing principally in public utility bonds and stocks. It defines practically all the terms used in financial literature and contains much other helpful information of interest to investors. (515).

PAINE WEBBER REVIEW
published semi-monthly by the well-known New York Stock Exchange house, will be gladly sent to you on request. It contains besides general comment on the developments in the stock market, specific recommendations of securities. Ask for 521.

ASSURED SAFETY AND 9 PER CENT EARNINGS
from a building and loan association located in San Angelo, Texas—explained in an interesting 8-page folder which will be sent free on request. (523).

CANADIAN MINING SECURITIES CORP.
is a well managed investment trust offering a participation in the profits of a safely diversified list of Canadian mining, oil, financial, industrial and public utility companies. Send for details. (546).

CANADIAN PUBLIC UTILITIES
Canada has almost unlimited water power, but the public utility stocks are relatively much lower than those in the United States. A. D. Watts & Co., members of the Montreal Stock Exchange, will gladly send recommendations and analyses. (549).

GENERAL BAKING CORPORATION
The profits of the large baking corporations, in the majority of cases, were distinctly higher during the first quarter of the current year than during the corresponding period of last year. An analysis of the General Baking Corporation, with particular reference to the preferred and common stocks, has been prepared by Peter P. McDermott & Co., and a copy will be forwarded upon request. (557).

AMERICAN EUROPEAN SECURITIES CO.
A comprehensive circular on this important investment trust showing the public utility, industrial, miscellaneous common and preferred stocks involved, together with the latest financial statement of the Company, will be sent upon request. (558).

THE PARKER PEN COMPANY
The common stock of this Wisconsin corporation, one of the largest manufacturers of fountain pens and mechanical pencils in the world, is offered and recommended by A. G. Becker & Co., a prominent investment house. Send for complimentary copy of 4-page folder describing this attractive investment. (559).

EIGHT RAILROAD EQUIPMENT COMPANIES
are analyzed and their securities commented upon in folders prepared by the New York Stock Exchange firm of Dunscombe & Co. Complimentary copies will be forwarded upon request. (560).

Financial Notices

Dividends and Interest

RICHFIELD OIL COMPANY OF CALIFORNIA

Los Angeles.

The Board of Directors this day declared, for the three months ending **June 30th, 1929**, from the net profits of the company, a dividend of fifty cents (50c) on the Common Stock of the Company, payable **August 15th** to stockholders of record at the close of business **July 20th, 1929.**

Checks in payment thereof will be mailed to stockholders of record at their addresses as they appear on the books of the company, unless otherwise instructed in writing.

W. E. HART, Treasurer.

SOUTHERN RAILWAY COMPANY

New York, June 13, 1929.

A dividend of two per cent (2%) on the Common Stock of Southern Railway Company has been declared payable on August 1, 1929, to stockholders of record at the close of business July 1, 1929.

Cheques in payment of this dividend will be mailed to all stockholders of record at their addresses as they appear on the books of the Company unless otherwise instructed in writing.

C. E. A. McCARTHY, Secretary.

LOEW'S INCORPORATED

"Theatres Everywhere"

July 18, 1929.

At a meeting of this Company held on July 15th, 1929, a quarterly dividend of \$1.62½ per share was declared on the outstanding \$6.50 Cumulative Preferred Stock of this Company, payable August 15th, 1929, to preferred stockholders of record at the close of business July 26th, 1929.

DAVID BERNSTEIN,
Vice-President & Treasurer.

INDEPENDENT OIL AND GAS COMPANY

DIVIDEND NUMBER 27

The Board of Directors has declared a dividend of Fifty Cents (50c) per share on the capital stock of this Company, payable July 31st, 1929, to stockholders of record at the close of business July 15th, 1929.

JOHN E. CURRAN, Secretary.

Tulsa, Okla., June 22nd, 1929.

INTERNATIONAL PAPER COMPANY

New York, July 10th, 1929.

The Board of Directors have declared a quarterly dividend of sixty (60c) cents a share, on the common stock of this company, payable August 15th, 1929, to common stockholders of record, at the close of business August 1st, 1929.

Checks to be mailed. Transfer books will not close.

OWEN SHEPHERD,
Vice-President and Treasurer.

ELECTRIC SHOVEL COAL CORPORATION

New York, July 10, 1929.

At a Meeting of the Executive Committee of this Company held this day, a Quarterly Dividend of \$1.00 per share was declared from the earned surplus of the Corporation on the 62,010 shares of the \$4.00 Cumulative Participating Preferred Stock outstanding, payable August 1st, 1929, to stockholders of record at the close of business July 17, 1929. The Transfer Books will not close.

W. H. STUMPFEL, Vice President.

Dividends and Interest

COLUMBIA GAS & ELECTRIC CORPORATION

July 9, 1929.

The Board of Directors has declared this day the following quarterly dividends:

Cumulative 6% Preferred Stock
Series A
No. 11, \$1.50 per share

Cumulative Preferred Stock
5% Series
No. 1, \$1.25 per share

New Common Stock (no par value)
No. 11, 50¢ per share

payable on August 15, 1929, to shareholders of record at close of business July 20, 1929.

Holders of certificates for old Common Stock, still outstanding at the record date, will receive the equivalent dividend but only after such certificates have been surrendered for exchange. Any scrip certificates for half shares of Common Stock, outstanding at the record date or issued in later exchanges, carry the proportionate share of such dividend until surrendered for exchange into new shares in accordance with their terms.

EDWARD REYNOLDS, Jr.,
Vice-President & Secretary

UNITED STATES REALTY AND IMPROVEMENT COMPANY

111 BROADWAY NEW YORK

The directors of this Company today declared a dividend of one dollar and twenty-five cents (\$1.25) on each share of its stock without nominal or par value issued and outstanding, payable on September 14th, 1929, to holders of record of such stock at the close of business on August 16th, 1929.

A. T. BLACK, Treasurer.

Dated, New York, July 11th, 1929.

CRANE CO.

Dividend Notice

At a meeting of the Board of Directors July 16th, a quarterly dividend of one and three-quarters per cent (1¾%) on the Preferred Stock and one and three-quarters per cent (1¾%) on the Common Stock was declared, payable September 16, 1929, to Stockholders of record August 31, 1929.

H. P. BISHOP, Secretary.

July 16, 1929.

Dividends and Interest

Middle West Utilities Company

Notice of Dividend on Common Stock

The Board of Directors of Middle West Utilities Company has declared a quarterly dividend of One Dollar and Seventy-Five Cents (\$1.75) upon each share of the outstanding Common Capital Stock, payable August 15, 1929, to all Common Stockholders of record on the Company's books at the close of business at 5:00 o'clock P. M., July 31, 1929.

EUSTACE J. KNIGHT,
Secretary.

The Mengel Company

The Board of Directors of The Mengel Company, July 12th, 1929, declared the regular quarterly dividend of 1¾% on the Preferred Capital Stock of the Company, payable September 1st, 1929, to Stockholders of record at the close of business August 15th, 1929.

J. C. DORMAN, Secretary.

Any Preferred Stock to be transferred should be sent to the office of the Guaranty Trust Company of New York, 140 Broadway, New York City, or to the office of The Mengel Company, Eleventh and Dumesnil Streets, Louisville, Ky.

J. C. DORMAN, Secretary.

Louisville, Ky., July 12th, 1929.

NEW ISSUE

$15,000,000

COMMERCIAL CREDIT COMPANY

$3 Class A Convertible Stock, Series A

($50 par value)

The $3 Class A Convertible Stock, Series A, ($50 par value) is preferred over the Common Stock, both as to assets and dividends; is entitled to cumulative dividends from date of issue, when declared, at the rate of $3 per share per annum, payable quarterly on the last days of September, December, March and June; and is redeemable, in whole or in part by lot, on any quarterly dividend date on 30 days' notice, at $52.50 per share prior to January 1, 1931, and at $55 per share thereafter, plus accrued dividends in all cases.

The $3 Class A Convertible Stock, Series A, is convertible share for share at any time into the Common Stock of the Company upon the payment of $5 per share. Provision will be made for the protection of the conversion privilege in the event of the issue of additional shares of Common Stock either as stock dividends in excess of 6% per annum or under certain conditions at a price less than the conversion rate. If the $3 Class A Convertible Stock, Series A, is called for redemption, the conversion privilege may be exercised as above at any time up to and including the date set for redemption.

Transfer Agents:
Central Hanover Bank and Trust Company, New York
Safe Deposit & Trust Company of Baltimore

Registrars:
The Chase National Bank of the City of New York
Baltimore Trust Company, Baltimore

The letter of Mr. A. E. Duncan, Chairman of the Board of Commercial Credit Company, copy of which may be had on request, has been summarized by him in part as follows:

COMPANY AND BUSINESS: The Company, organized under the Laws of Delaware in June, 1912, is a pioneer in the highly specialized form of commercial banking which facilitates the distribution of various articles of merchandise sold on credit, through the purchase of receivables created thereby. Its business is very widely diversified both as to the receivables purchased and as to the articles which are financed largely on the installment payment plan, such as automobiles, time and labor saving machinery, refrigerators, etc., and also as to the many thousands of individual purchasers, most of whom owe only moderate amounts. In addition to its headquarters in Baltimore, the Company and its subsidiaries maintain offices in 173 cities in the United States and Canada with representatives in 271 other localities here and abroad. Through Kemsley, Millbourn & Co., Ltd., a large export and foreign finance business is conducted.

The Company owns all of the common shares of Commercial Credit Corporation, New York and Montreal; Commercial Credit Trust, Chicago; Commercial Credit Co., Inc., New Orleans; and 96.19% of the capital stock of Kemsley, Millbourn & Co., Ltd. (export), New York. It also owns 10% of the capital stock of, and operates on a fee basis, the Aviation Credit Corporation, New York, an affiliation of the Curtiss-Wright and other aviation interests.

The Company enjoys exclusive contracts with many leading manufacturers through which it assists them in the distribution of their products by extending credit to their distributors and dealers. Among the products so financed are Chrysler, Dodge Bros., De Soto, Willys-Knight, Whippet, Stearns-Knight, Peerless, and other motor vehicles; Crosley, Edison, and FADA radios; Certainteed-Products; Oil-O-Matic, May and other oil burners; Copeland and Seegar Refrigerators; Cris-Craft and other speed boats; Diesel engines, washing machines, store equipment, machinery, etc. The Company also does a large business with dealers in other lines.

CAPITALIZATION: The Consolidated Capitalization of the Company and subsidiaries, as of May 31, 1929, after giving effect to this financing, is as follows:

	Authorized	Outstanding
Subsidiaries' Preferred Stocks, 8% (par value $25)	$ 3,000,000	$ 3,000,000
Minority Interest in Subsidiary's Common Stock (14,046 shs.—no par value)		159,317
6½% First Preferred Stock (par value $100)	12,000,000	8,000,000
7% First Preferred Stock (par value $25)	4,000,000	4,000,000
8% Class "B" Preferred Stock (par value $25)	4,000,000	4,000,000
Class A Convertible Stock, (par value $50) cumulative preference	50,000,000	
$3 Series A (this issue)		15,000,000
Common Stock (no par value)	3,000,000 shs.*	1,037,052 shs.

*Including 34,232 shares reserved for the exercise of outstanding warrants originally attached to the 6½% First Preferred Stock.

In addition, there will be outstanding Collateral Trust Notes of $4,167,000, 6% due 1934; $4,339,500, 5½% due 1935; and $1,932,700 short term; also $8,612,247 secured, and $77,985,500 unsecured short term notes.

EARNINGS: The Company has never failed to show a profit in each of its 17 years of existence. The net income in 1928 was 13.62% on the average invested capital employed during the period.

Consolidated Net Income for the 12 months ended June 30, 1929 (June estimated), adjusted to give effect to the savings of interest paid at 6% per annum, less Federal Taxes, amounting to approximately $1,036,790, resulting from the utilization of the proceeds of 258,365 shares of Common Stock issued in February, 1929 and from this issue of Class A Convertible Stock, Series A, would be equal to approximately $6,375,730, or over 2.8 times the combined annual dividend requirements on all Preferred Stocks including the entire amount of the Class A Convertible Stock, Series A, to be outstanding upon completion of present financing.

PURPOSE OF ISSUE: The proceeds of this issue will be used in the first instance to retire a like amount of short term bank loans, thereby effecting a saving of interest thereon, and will later provide additional working capital and credit facilities for the expanding business of the Company.

EQUITY: Based on current quotations on the New York Stock Exchange, the Common Stock of the Company represents an indicated market equity junior to the $3 Class A Convertible Stock, Series A, of more than $52,000,000.

The Company has agreed to apply for the listing of this stock on the New York Stock Exchange

This stock is offered for delivery when, as and if issued and accepted by us and subject to the approval of counsel. It is expected that temporary stock certificates will be available for delivery on or about July 17, 1929.

Price $50 per share, yielding 6%

Kidder, Peabody & Co. **The Harris Forbes Corporation**
Hayden, Stone & Co. **Hallgarten & Co.**
Robert Garrett & Sons **Spencer Trask & Co.**
Dominick & Dominick

We do not guarantee the statements and figures presented herein, but they are taken from sources which we believe to be reliable.